Chapter 15
Appellation of Origin Brands in China

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ABSTRACT

Appellation of origin brands are largely based on the geographical characteristics where the products may possess certain unique features due to suitable climate and abundant natural resources, but are also derived from historical heritage that a particular place is well known for its unique product and production. Therefore, such brands are typically named based on two components: the geographic designation and the product. For centuries, it has become a common practice in China that a producer uses its product place part of its brand name. This chapter provides a comprehensive overview of the Chinese Appellation of Origin Brands (AOBs), particularly exploring their unique characteristics, their development process, and the environmental factors that influence their brand performance.

INTRODUCTION

An appellation, in a broad sense, is a legally defined and protected geographical indication, often used to identify where a product (e.g., wine) is produced or sold (indicating the grapes used are of a specific kind from a specific district). Other types of products often have appellations as well. In China, products from appellation of origin are normally associated with particular brands. Therefore, the term appellation of origin brands (refers to AOB hereafter) used in this Chapter refers to brands that are produced and/or well-known for their place of production. AOBs are largely based on the geographical characteristics where the products may possess certain unique features due to suitable climate and abundant natural resources, but are also derived from historical heritage that a particular place is reputable for its unique product and production. Therefore, such brands are typically named based on two components: the geographic designation and the product (e.g., Weifang kites).

In China, because of certain geographic characteristics and relative concentration of skilled producers in a particular region, many brand names...
are often affiliated with, or partially contain, the name of its production place, i.e., the city, county or even a province. For centuries, it has become a common practice in China that a producer uses its product place as part of its brand name. In extreme cases, one corporate brand, e.g. Maotai wine or Tsingtao beer exclusively owns the brand name and thus represents its AOB. In most cases, many firms in the same industry of the region share the same appellation of origin brands (e.g., West Lake Longjing tea, Weifang kites and Shanxi vinegar). As such, the AOB used in this chapter specifically refers to a brand that is shared by all enterprises that produce the same product in the region where the brand is named after. This chapter provides a comprehensive overview of the Chinese AOBs, particularly exploring their unique characteristics, their development process, and the environmental factors that influence their brand performance.

**CHARACTERISTICS OF CHINESE AOBs**

The unique characteristic of Chinese AOBs stems from the legal and commercial environment in China, where lacks specific Intellectual Property Rights (IPR) laws that serve to protect Chinese brand names. Consequently any enterprises or producers in the region can use the brand name without violation of the copyright of the original brand. The main objective of an AOB is to differentiate and protect products or brands against imitation from enterprises in other regions, and to provide quality guarantees for consumers. While appellations in Europe and North America are mainly in food sector, particularly focused on wine industry, the AOB in China is far more beyond the food industry and has been extensively penetrated into five product categories, including natural products, special agriculture products, processed food, ceramics and folk crafts, covering 33 provinces and autonomous administrative divisions. These widely distributed AOBs, many of them have earned nationwide or worldwide reputation, reflect a long historical development of unique Chinese products, which demonstrated wisdom and sophisticated crafting skills in different regions. Many AOBs are among the oldest Chinese brands with hundred or even thousand years of history and therefore can be said as the living fossil in studying brand development in the world, particularly in emerging markets. Based on our research, we summarize the major characteristics of Chinese AOBs below:

1. Chinese AOBs generally has time-honored history and brand image or reputation. During their historical development, the raw materials procurement and selection, the production techniques and crafts, and the producing and processing process, are refined and improved, through a joint effort and shared wisdom of many people of several generations of hard working and accumulative knowledge and skills.

2. Many firms, including small businesses and family businesses, produce and share an AOB. On the one hand, such AOBs provide a umbrella reputation that covers all enterprises and family businesses that contribute to the brand; on the other hand, the industry may be vulnerable to opportunistic behavior of individual producers because the lack of strict legal constraints and sanctions. As a loosely related enterprise clusters without an effective internal coordination, it is difficult for the whole industry to accommodate to new business environment and therefore has limited capability of becoming enterprise conglomerates to upgrade their production and to expand their market out of the region. As such, the production scale and market share of each corporate is limited. For example, in our study of the most famous AOBs in four major industries (tea, processed
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