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**Research on Himalayan Region Wine Industrial Cluster Innovation and Management**

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### Abstract

Industrial cluster theory has important guiding significance for the promotion of regional industrial development and the formation of industrial agglomeration advantages. In this paper, we reviewed the successful practices of the “New World” wine producers by applying the industrial cluster theory to develop their wine industries. We considered the unique advantages of the Himalayan wine producing areas. We then made several suggestions on Himalayan region wine industrial cluster innovation and management, including aspects of product differentiation, wine culture shaping, personnel training, brand building and marketing innovation. The suggestions were made in order to help 1) build a century brand of Chinese wine industry, 2) promote a sustainable and healthy environment of Himalayan wine producing areas, and 3) develop the Chinese wine industry.

**Keywords:** Himalayan Region, Wine Industry, Industrial Cluster, Brand Shaping

### Introduction

Wine, as an international alcoholic beverage, ranks second in production and consumption in the world. The industry is expected to sell almost 300 billion bottles of wine in 2014 (Marketline, 2012). The International Organization of Vine and Wine (OIV) defines wine is an alcoholic beverage made from fermented fresh grape juice with a low content of ethanol, which is usually 8% to 14%. The world famous wine producing areas are in countries including France, Italy, Spain, Australia, and the United States. These areas have mostly Mediterranean climate, with warm and humid winter, and cool and dry summer. These areas provide good environments for the growth of grapes, and therefore represent the areas of production of highest quality of wine in the world.

Table 1 displays wine classification based on 1) color, 2) amount of sugar, 3) content of carbon dioxide, 4) brewing method, and 5) drinking style.

**Table 1 Wine Classification**

<b>Classification Standard</b>	<b>Corresponding Varieties</b>
By color	white wine, pink wine, red wine
By the amount of sugar	dry wines, semi-dry wines, semi-sweet wine, sweet wine
By carbon dioxide content	calm wine, bubble wine, sparkling wine
By brewing method	natural wine, fortified wine, flavored wine, distilled wine
By drinking style	appetizer wine, dine wine, leisure wine

Source: New Wine GB

Though the Vatican City State does not produce wine, yet it has the highest consumption of 54.78 liters of wine per person, followed by Norfolk (54.50), France (45.70), Italy (42.15), Portugal (41.81), USA (9.42) and China (.69) according to the Wine Institute statistics in 2012.

Table 2 shows wine consumption in 2010; Portugal tops the consumption followed by Italy.

**Table 2 Per Capita Wine Consumption of the World's Major Countries or Regions in 2010**

Countries or Regions	Per capita wine consumption (liters / person)
Portugal	46.5
Italy	42.3
France	39.1
Germany	26.2
Australia	19.7
United States	8.7
Japan	7.1
Taiwan, China	5.3
<i>China</i>	<i>0.9</i>
Global average	3.6

Source: Euromonitor, ASKCI Coporation

The industrial cluster theory has gained a lot of attention since it came into being in the 1920s as a theory of western economics; that was when Harvard professor Michael Porter first put forward the term under global economy and interpreted the phenomenon of industrial cluster in a completely new perspective of “competitiveness.” Michael Porter first practiced the theory in research on the wine industry in California, USA, and then attracted scholars at home and abroad to focus on research of wine industrial cluster. The “New World” consists of some emerging wine producing countries including the United States, Australia, New Zealand, Chile, Argentina, and South Africa. The “New World” has increased its market share in the international market to 23.4% over the past decade; this is due to the mode of production: in large scale, centralized, highly organized manner, and adoption of modern wine making techniques. The “New World” also provides appropriate means for research on wine industry cluster by applying industrial cluster theory. Foreign scholars have expanded and deepened their research on wine industrial cluster to its formation, structure, use of Internet, competitive strategies, R&D and innovation, inter-company network, management and upgrade, market operation, cluster problems, suggestions, and many other aspects.

As the most populous country in the world, China will definitely grow to be the world's largest wine market in the future. However, China has just started in the development of the wine industry and wine culture. Nowadays in China's wine industry, wine varieties are

relatively fewer, wine grapes are short of feature flavor, and there is also no world-class super brand, so it is difficult for Chinese wine to occupy the high-end market. However through years of research, it has been found that the Himalayan wine producing areas including the first-class and second-class producing areas has less precipitation, dry climate and moderate temperature; and that the high altitude brings good light and strong ultraviolet radiation and desiccation stress which enhance the formation and accumulation of grape fruit flavor function substances such as phenolic compounds, pigments, and resveratrol; The areas also bring fuller flavor and powerful healthcare. The practice of recent years has shown that 1) wine grapes have relatively rich scent of flesh, and 2) red wine has rich tannins and high color degree. The unique natural conditions enable Himalayan wine producing areas to have great potential of being the world's top wine industry region.

For the Chinese wine producing companies to develop and participate in the international and domestic markets, the companies should 1) do more research on the theory of industrial cluster, 2) vigorously learn from the successful practices of the wine producers in “New World” that apply the theory to develop their wine industries, and 3) combine with the unique advantages of the Himalayan producing areas. By doing so, the Chinese wine producing companies will 1) develop a century brand of Chinese wine industry, 2) promote sustainable and healthy environment of the Himalayan producing areas, and 3) the Chinese wine industry.

### **Theories on Wine Industrial Cluster Innovation**

Industrial cluster, a theory of western economics, was introduced in the 1920s; It is defined as a regional concentration of interconnected businesses, suppliers, associated industries, and specified systems and institutions in a particular field. It is considered to form effective market competition, construct specialized conglomerating place for optimization of production factors, and share regional public facilities, market environment and external economy among enterprises, so as to reduce costs of information communication and logistics, and form regional agglomeration effect, scale effect, external effect and regional competitiveness.

Diagram 1 Sample Model of Industrial Cluster Theory

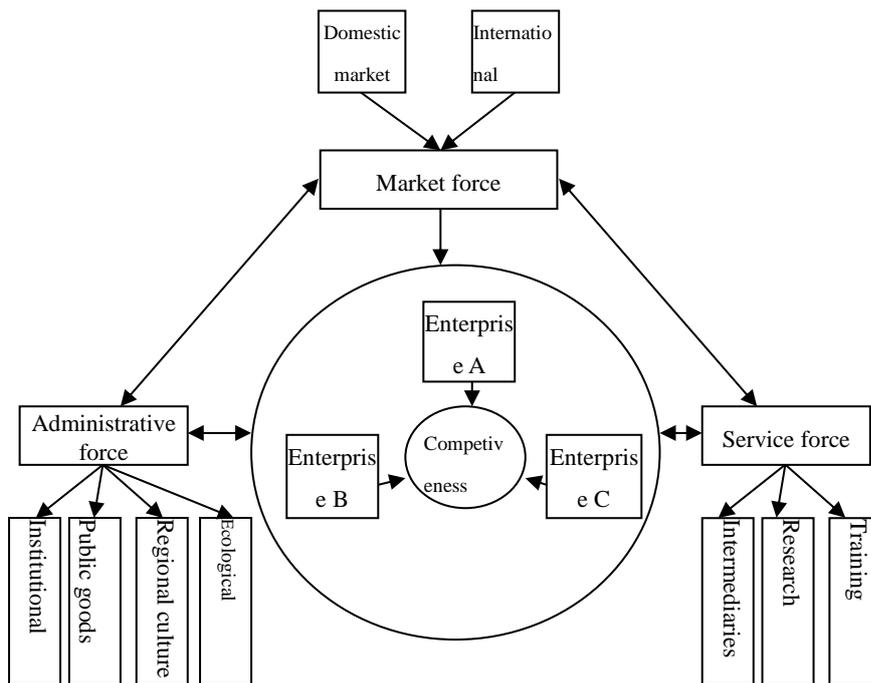


Diagram 1 Depicts Industrial Cluster Model, It shows Domestic and International markets as well as administrative and service forces. Some theoretical basis for formation and development of industrial cluster include: (1) according to Adam Smith and Marx's theory of division of labor and cooperation, enterprise clusters ensures the efficiency of division of labor and specialization, which in turn promotes enterprise clusters to develop; (2) in Marshall's *Principles of Economics* published in 1890, scale economy theory is proposed to hold that enterprise clusters are formed on external scale economy; (3) German economist Alfred Weber put forward theory of industrial location in the namesake book published in 1909, thinking that clusters can save costs for enterprises; (4) innovation environment theory suggests that clusters can share among enterprises' mass production and technological innovation that individual ones cannot realize; (5) in 1950, French economist F. Perroux proposed growth pole theory, in which "growth poles" refer to a specific region that concentrates some dominant economic units; (6) Austrian American economist Schumpeter in his theory of technological innovation believes that technological innovation and its effects of enlightenment and diffusion can promote many industrial relevant enterprises to form clusters; (7) Harvard professor Michael Porter took the initiative to propose theory of industrial cluster in the global economy and interpret the phenomenon of industrial cluster with the new perspective of "competitiveness", holding that clusters can not only reduce trading cost and improve efficiency, but also improve method of incentives, create collective wealth like information, specialized system and reputation, and facilitate formation of new enterprises.

Nowadays, industrial cluster has gradually evolved into a global economic phenomenon, and become an important characteristic featured in modern industrial development. The high attention it attracts is attributed to its strong and sustainable competitive advantage. The competitiveness of industrial cluster is mainly manifested in its effects of innovation,

cooperation and competition, and regional brand of which innovation composes an important source. Wang Jici (2001) of Beijing University treated enterprise clusters as space suitable for innovation and ascribed it to geographical proximity and social embeddings. Chen Liuqin (2006) specifically put forward that industrial cluster is featured by innovation, manifested in mutual benefit and symbiosis, competition and cooperation, embeddings, complementation of knowledge and resources, and openness of innovative organizations, and that industrial cluster affects innovation in establishing favorable environment for innovation, reducing enterprises' cost of innovation, facilitating technological innovation to support network, and effectively transferring and diffusing technologies.

There are inadequate detailed research articles published on combined industrial cluster theory and concrete wine industry practices. Li Yuhua et al. (2009) summarized the wine industry cluster research progress at home and abroad so as to give some inspiration to the Chinese wine industry cluster development. Chi Renyong et al. (2008) studied the footprint of Chilean wine industry cluster development in order to provide a reference for competitive advantage and sustainable development capacity of Chinese wine industry cluster. Zhang Mingli et al. (2010) analyzed the status quo of Changli wine industry cluster using the theory of ecological niche and provided right ecological niche strategy for Changli wine industry cluster development, significantly guiding the wine industry of Changli County to make clear core competitiveness and get rid of development dilemma. Ma Xiurui et al. (2009) measured and evaluated the geographic concentration and the industry cluster performance of Chinese wine industry cluster applying four indicators including geographic concentration index, industry cluster structure effective index, industrial clusters influence index and industry cluster specialization rate; they also proposed to take active measures in aspects of the environment for the wine industry cluster development, the enterprises competing relations and the personnel support system to promote the healthy and rapid development of Chinese wine industry.

It can be seen that industrial clusters is a kind of spatial organization form of industries aiming to create competitive advantages; that industrial cluster has competitive advantages of groups and scale effects of cluster development that cannot be surpassed by other forms. Industrial cluster innovation is an important source of competitiveness of industrial clusters, and the innovation ability of industry cluster is always the decisive force in supporting the sustainable development of industry clusters. The related theories and the latest progress have a strong guiding significance for the development of the Chinese wine industry.

### **Unique Geographical Advantages of Himalayan Producing Areas for Wine Grapes Production**

Himalayan producing areas is located in the Himalayan mountain range, and more specifically, they are located in the dry and hot valleys of the Three Rivers Source region. Suitable wine grape planting areas are mainly scattered in Diqing Prefecture in Yunnan Province, Ganzi Prefecture, Aba Prefecture, Qamdo City and Nyingchi Prefecture in Tibet Autonomous Region, and Yushu Prefecture in Qinghai Province. Our research team has entered these areas successively over 200 times, carrying out trial production and development of wine grapes. After 15 years of long-term exploration and practice, we

conclude that these areas are high-quality wine grapes producing areas with the highest elevation in the world and the shortest distance from the sun. The producing areas have great potential for commercial development, and also more significant product features and differentiated competitive advantage of product quality compared with the European and American quality grape producing areas.

(1) Himalayan producing areas are relatively concentrated, suitable for developing more wine grape varieties and exerting advantages of industrial clusters. These areas lie between 1700m and 3000m above sea level, with a total area being equivalent to the size of France, of which 50,000 *mu* of natural ice wine grape area (with an annual production capacity of 12.5 million bottles of ice wine) and 250,000 *mu* of high-quality dry red grape area (with an annual output of 125,000 tons of senior dry red wine) can be developed. There are still other 700,000 *mu* that can be used to develop 375,000 tons of all kinds of high-end wines, grape brandy, grape drinks and so on. The potential annual economic value is over 10 billion dollars. Therefore, the wine industry in these producing areas has great prospects for commercial development.

(2) The phenological conditions in Himalayan producing areas have clear comparative advantages. The annual average temperature in these producing areas is between 10°C and 12.5°C, with the absolute minimum temperature of -10°C and the absolute maximum temperature of 35°C. In these areas, the annual rainfall is only 200-400mm, while the annual evaporation can reach above 4500mm. Compared with European and American producing areas, Northeast China producing area and Shandong producing area, the comparative advantages of cultivating and developing wine grapes in these areas lie in that:

- First, the longer grape growing season (240 ~ 300 days) is beneficial to accumulate fruit sugar and organic matter as well as phenol compounds
- Second, there is no need to bury vines in winter, favoring mother trees safe in winter and helping to reduce the cost of labor management
- Third, as an absolute market competitive advantage, little or no pesticide is needed during the grape production, favoring in developing green, ecological, organic and high-quality products
- Fourth, the alpine valleys that grapes grows in is with clean air, good sun permeability, world-class sun light and no industrial pollution, favoring vine growth and characteristic flavor formation of fruit products
- Last, the sandstone soil that grapes need is deep with very rich minerals, conducive to the grape root growth and the mother trees body growth, and therefore, can show more potential substance flavors and product characteristics of all varieties.

(3) Compared with wines from European and American wine producing areas, wine from Himalayan wine producing areas has unique quality personalities and flavor characteristics. Among the phenols in ice wine and dry wine brewed using 10-year-old grapes from these producing areas, the resveratrol content is 10 times that of the similar products from European and American coastal producing areas, Northeast China and Shandong producing areas, and the organic components and their contents are more than that of France and Italy producing areas. Over the past decade, Sun Spirit Group Corporation has invested \$100

million in the producing areas to develop 20,000 *mu* of wine grape area, and to create three new featured winery chateaus, that is, the Meri International Icewine Chateau, the Sun Valley and Wengjia Special Grapes Winery Chateau, and the Sun Spirit Qiubei Brandy and Rum Winery Chateau. In recent years, the series of ice wine, dry wine and brandy products from the three chateaus have won gold medals many times in the international wine quality assessment activities, production quality standards meeting, and exceeded the international industry standards.

(4) Himalayan region has the integration of Eastern and Western cultures and the cultural integration of different religious beliefs as its geographical and cultural characteristics. As early as in 1840, European Christian and Catholic missionaries began to enter into the Himalayan Tibetan areas and live with Tibetan Buddhism in harmony. Meanwhile, these missionaries also brought the grape varieties and brew technologies. During the past 160 years, wine has become a carrier and an integrity matter of cultural integration between the various religious beliefs and exchanges between Eastern and Western cultures. Therefore, the development of wine industry in the region has far-reaching implications for human civilization heritage and innovation development.

(5) Himalayan wine producing areas have greater advantages in creating and shaping world-class brand. Mount Everest located in the Himalayas is the highest peak in the world, and it is admired by all mankind for thousands of years. Therefore, the brand naming Himalayan will win the recognition and favor of the world people easily. Coupled with high-quality products and unique cultural characteristics, the wine brand of Himalayan producing areas will be able to shape the world top well-known brand successfully within a very short period of time.

In summary, the Himalayan region is fully endowed with great potential for industrial development of the world top wine producing areas.

#### **Suggestions on Industrial Cluster Innovation and Management of Himalayan Wine Producing Areas**

Himalayan producing areas have such unique advantages in producing wine grapes and cultivating wine brand. The question then is how to achieve the scale economies of the wine industry development in the Himalayan region. This requires the application of the scientific theory of industrial clusters, relying on the cluster innovation and management, and following environmental, ecological, natural and harmonious development principles. After 20 ~ 50 years, we expect the Himalayan region to be the world top wine producing region. At present, the priority should be given to 1) learning from the theory of industrial cluster, 2) practical experience of wine producers, 3) encouraging industrial cluster innovation in Himalayan wine producing areas, and 4) shaping the world-class wine brand, only through which can Chinese wine enterprises establish themselves in the international market. Therefore, the paper proposes several suggestions on Chinese wine industry development as follows:

(1) Produce chateau wines to improve their competitiveness in international market through product differentiation.

Currently, Chinese wine industry shows high homogeneity with few high-end products and varieties of vine and wine, and the overall level is greatly below the international high-quality wines. The underlying reason of it lies in the lack of chateau wine in China. Therefore, wine enterprises in Himalayan wine producing areas should be fully aware of wine industry and product lifecycle, and continue to develop new products, to form multi-variety, multi-end and serialized wine category system comprises wines of different varieties, years, origins, special wines and chateau wines, improve product differentiation, meet demand of markets in different stages, avoid further homogeneity, and raise barriers of market entry against foreign wine enterprises.

Taking chateaus as the carrier, wine enterprises should produce more high-end wines and integrate vine plantation, brewing, and wine storage and sales in “chateau-style” chain, to raise the quality of Chinese wines to international standard and compete with flooding imported wines. Apart from that, “traced sources” in the chain can comfort consumers in a world frequently shocked by food contamination scandals. Therefore, in face of growing domestic demand for wines, and especially fierce competition from imported wines and need of the industrial development, wine enterprises in Himalayan wine producing areas should gain a clear understanding that building wine chateaus is the best choice in the present context.

(2) Implement strategy of “small chateaus, large industry” to realize industrial cluster scale of Himalayan region, thus improving international competitiveness.

Industrial competitiveness is, in essential, enterprises’ competitiveness which is increasingly determined by competitiveness of industrial cluster. To realize development in industrial cluster, wine advantageous areas, after being discussed and planned, should be further divided into different areas by wine variety with chateau as the basic unit, to achieve vine plantation of different varieties in several bases and regions, specialized production, and industrialized operation. Meanwhile, the wine industry should support its upstream and downstream enterprises as well as the service industry, so as to promote itself to realize ecological and cluster development. Take industrial cluster of Fangshan international wine chateau as an example. To develop a high-end wine chateau industrial belt, the industrial cluster focused on the theme of “a goblet contains the heart, Fangshan constitutes the world” and started from the core area of Qinglong Lake Town, thus driving Chengguan and nine other towns in suburban mountainous areas to develop high-end wine industry.

The world plateau Himalayan region, as the most distinctive emerging wine producing area, is currently working on planning of industrial cluster development by referring to existing mature practices. Through building one hundred of plateau chateaus to explores and initiate the operation and management structure of industrial cluster, and establishing a high-end scientific research system in depth to encourage innovations in fields of microorganism, physics, food chemistry, and so on, they has transformed and upgraded the quality of industrial cluster, complemented each other’s superior resources, shared industrial fruits, and improved the competitive advantage of product quality in the international market.

(3) Establish and consolidate rural cooperatives, implement rural land-use right transfers, and ensure scientific management of vine bases as the first workshop in wine industry. Land, as

the most important production inputs in the wine industry, composes an essential element in winemaking grape plantation, which is referred to as the first workshop of wine production. Currently under the collective ownership of land in China's rural areas, the wine industry, considering from industrial cluster and symbiosis chain, should cooperate in rural cooperatives to take into account the rural areas and farmers' interests, and ensure the policy of rural land-use right transfers can be implemented correctly, thus promoting vine plantation areas to operate in the right way. For instance, in Baden, the south most and the third wine production area in Germany where top-quality Pinot Noir is produced, there are some 100 wine enterprises-farmers cooperatives, accounting for about 85% of the area as to wine production and sales.

Mile County, Yunan, located in Himalayan region, is currently transforming its low- and middle-output fields, planning to build five wine producing cooperatives and establish three provincial pollution-free vine bases in the following two years, intensify efforts to attract investment, and encourage farmers to process and sell grape products by setting up stores in fruit markets in large and medium-sized cities, such as Shanghai, Guangzhou, Hong Kong and Macao, in order to extend the grape industrial chain, improve addition value to products, and strengthen grape industrial operation.

(4) Carry out strategies to pass on and make innovations in wine culture to advance the status of industrial cluster core culture in the world

For enterprises, to sell wine is essentially to sell a culture or an emotional appeal. For consumers, to consume chateau wine is actually to accept concepts of the upper-class culture. To create high-end and expensive chateau wines, enterprises need to shape its culture, which includes advocating wine knowledge, conducting tourist and entertaining activities in chateaus, establishing wine museums, advertising grape picking, and supporting wine-tasting activities, so that target consumers can pleasantly take experience of chateau culture that sweeping around the world in a chateau. In addition, wine enterprises should advertise the perceptual images of wine in terms of taste, identity, social position, emotional appeal, fashion and art to improve consumers' recognition and consumption of wine, expand consumer demand, and thoroughly exploit the market.

Moreover, the development of wine industry in Himalayan region has far-reaching implications for human civilization heritage and innovation development, for that Himalayan region has the integration of Eastern and Western cultures and the cultural integration of different religious beliefs as its geographical and cultural characteristics. By combining wine production, consumption, cultural communication, tourism and marketing together around chateau, wine enterprises should seize the opportunity to promote the development of wine tourism and other relevant industries, design tourist routes, draft up tourist themes, and provide wine tourist services in production areas, so as to integrate chateau building and wine tourist planning and drive the development of relevant industries and cultural heritage timely.

(5) Shape an international well-known brand vigorously, and support the sound development of industrial cluster with brand building

Since the beginning of the Chinese wine industry, China saw a rapid increase in wine production and sales. However, consumers currently maintain a low recognition of Chinese wine brands. There is no world-class brand in Chinese wine industry. As the wine industry continues to expand and the industry competition intensifies, various mainstream wine enterprises launched new products to meet consumers' multilevel demand, during which the conflict begins to become increasingly prominent between the original brand positioning and extension of product lines as well as launching of new products.

Table 3 depicts penetration of Chinese wine market; Great Wall (Huaxia) tops with 3%.

**Table 3 Overall Penetration of Chinese Wine Market Top Five Brands**

	<b>Brands</b>	<b>Penetration (%)</b>
1	Great Wall (Huaxia)	3.0
2	Changyu	2.8
3	Dynasty	1.8
4	Great Wall (Shacheng)	1.4
5	Tonghua	1.3

Source: ASKCI Coporation

The development of industrial cluster is favorable for creating a uniform high-end brand in the international market. Meanwhile, the chateau wine, a natural product in certain period of wine development in China, is also a perfect weapon for enterprises to improve their brand image, upgrading Chinese wine to a higher level. Currently, some mature wine brands consciously select several series of products or advertise appropriate sub-brands with new products and launch them with the master brand. Nowadays, some mature wine brands consciously choose several series of products, or introduce suitable sub-brands with the aid of new products to the market. Hope that after a long-term brand communication, this practice will surely guide and promote the sound development of all aspects including industry, enterprises and consumers.

For instance, China Oil and Foodstuffs Corporation (COFCO) integrated and optimized resources from the three Great Wall wine manufacturing plants in Shacheng, Changli and Yantai, standardized their production and management under the uniform logo of Great Wall, and made a specific plan for product positioning and brand image of Great Wall. On the contrary, Changli Yeli Winery Co., Ltd. almost collapsed for its ignorance of brand marketing before 2002. Later, after realizing the importance of brand marketing, it began to implement the strategy of brand marketing and chateau-style management, finally bringing the enterprise back to the track of normal development.

Himalayan wine producing areas have unique advantages in creating and shaping world-class brand. Mount Everest located in the Himalayas is the highest peak in the world, and is admired by all mankind for thousands of years. Therefore, the brand naming Himalayan will win the recognition and favor of the world people easily. Coupled with a high-quality products and unique cultural characteristics, the wine brand of Himalayan producing areas will be able to shape the world top well-known brand successfully within a very short period

of time.

(6) Cultivate high-quality inter-disciplinary talents and strengthen team building to achieve best industrial cluster management performance with world-class management and technological personnel.

Currently, the global wine industries, continuing to adopt advanced management concepts and cutting-edge scientific technologies, are in fact determined by the personnel. Therefore, the developing wine industry are in urgent need of large numbers of technical and management personnel, who improve their quality through systematic training in professional education and practice. In China, both relevant major arrangements in several universities and special wine schools are far from enough to meet the demand of professional personnel in the wine industry. In addition, a large proportion of practitioners in Chinese wine industry are operational personnel. These personnel can hardly propose suggestions on improving brew technologies or equipments for a lack of in-depth understanding of wine and professional wine knowledge. Meanwhile, they highly depend on some specific environment, away from which they cannot play their role.

In order to develop the industrial clusters belt of Himalayan wine producing areas vigorously, it is imperative to accelerate the cultivation of technical and management personnel in the wine industry. Moreover, it should be noted that accumulation of professional knowledge and qualities are as important as that of practical experience to cultivate talents, because comprehensive professional personnel need to be equipped with both practice and theory. On one aspect, to form a sound domestic training mechanism of professional wine personnel based on the characteristic of the wine industry, develop courses of the wine major and teaching practice coordinately, and cultivate versatile personnel for the wine industry; on the other aspect, to train technical and management personnel through regularly or irregularly inviting foreign experts to give lectures and also sending relevant personnel to study in foreign enterprises or schools.

(7) Establish a high-quality modern marketing team to make innovations in marketing channels and management and ensure the sustainable development of the wine industry. At present, China's wine market shows homogeneity in marketing, apart from in vine and wine variety. Therefore, the wine industry should explore new means of brand promotion and marketing because consumers are always willing to try new patterns of purchase. As the market enters the era of meager profit, the awareness of "besieging the market" pervades various industries, leading to intensive or even excessive competition. Under the context, to take the lead in the specific field, enterprises need to constantly change and make innovations in their marketing modes, study strategies to extend and expand brands, actively explore strategic partners, and strengthen alliance with products of other industries with permanent "binding" cooperative agreements, to go ahead of competitors in the industry in both awareness and action.

Promotion of high-end wine is especially in need of special marketing mode. Based on the current development of the wine industry, enterprises should first focus on marketing of

high-end wine in points of sales and then gradually expand it to large areas, instead of promoting marketing everywhere and pursuing high sales in the short term. All marketing-related work should be centered on brand building. Without a sound quality base, enterprises and their brands will be reduced to crisis when there is no longer marketing. For instance, wine producers in Yunnan gradually transferred the strong and mystical geographical culture rooted in the red land and added its value to their products or brands, and ingeniously and fully integrated unique regional features and national culture in their advertising and package, through which they successfully broke through the high barriers for brand market.

(8) Exploit the full range of industrial clusters advantages of Himalayan wine producing areas, to develop high-end varieties and century brand, and break the monopoly of foreign wine brand and pricing.

During the past ten years of rapid development of Chinese wine market, foreign wine enterprises with their strong financial strength have quickly acquired brand awareness and market dominance and successfully created high-end brand images and expensive prices. Currently, Chinese wine industry is in shortage of wine varieties and high-quality products, so most of them are struggling in low-end market, and thus it is very difficult for them to compete with foreign wine enterprises for the moment. It is especially in shortage of semi-dry, semi-sweet high-quality red (pink) and white wines, and senior brandy market is monopolized by French products. However, the full range of advantages that Himalayan wine producing areas have in aspects of wine grape varieties, unique phenological conditions, quality and flavor characteristics, cultural integration and brand shaping, can not be surpassed by producing areas of other countries. They are unique advantages in the world, and will surely promote Himalayan wine brand to become the world top brand in a very short time, thus breaking the industrial monopoly of foreign wine enterprises.

### **Conclusion**

The theory of industrial cluster came into being in the 1920s. After ongoing academic research and business practices, nowadays the theory of industrial clusters is playing a guiding role in all industries including the wine industry. By sharing regional public facilities, market environment and external environment among enterprises within industrial cluster, industrial cluster can reduce costs of information communication and logistics, and form regional agglomeration effect, scale effect, external effect and regional competitiveness.

Foreign wine industry cluster development provides reference for China to accelerate the development of its wine industry. Himalayan region is geographically more concentrated, with more varieties of wine grapes planted and significant phenological condition advantage. Himalayan wine products have a unique flavor and quality. In addition, Himalayan region has its rich cultural harmony and civilization exchanges as well as its world awareness. All above these are the most basic and important conditions for wine industry cluster development of Himalayan region. Through studying the theory of industrial cluster and referring to the successful practice of wine producers in “New World” applying the theory to develop their wine industries with which the characteristics of Chinese wine industry and market are

combined, the paper finally proposes several suggestions to make innovation in industrial cluster of Chinese wine industry.

The suggestions are as follows: produce chateau wines to improve their competitiveness in international market through product differentiation; implement strategy of “small chateaus, large industry” to realize industrial cluster scale, thus improving international competitiveness; establish and consolidate rural cooperatives, implement rural land-use right transfers, and ensure scientific management of vine bases as the first workshop in wine industry; carry out strategies to pass on and make innovations in wine culture to advance the status of industrial cluster core culture in the world; create an international brand to support the sound development of industrial cluster with brand building; cultivate high-quality inter-disciplinary talents and strengthen team building to achieve best management over industrial cluster with world-class management and technological personnel; establish a high-quality modern marketing team to make innovations in marketing channels and management and ensure the sustainable development of the wine industry.

The above-mentioned suggestions will definitely be conducive for Chinese wine industry to achieve sustainable and sound development and improve its international competitiveness.

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