Co-evolution of Industry Cluster and Specialized Market
---A Case Study of Zhuji Pearl Industry

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Abstract
In this paper we investigate the co-evolution of pearl industry cluster and specialized market in Zhuji. Firstly we begin with a literature review of the specialized market, which played a crucial role as a shared trading platform for SMEs, and an institutional innovation to achieve economic transformation and for China to promote industrialization, urbanization and regional economic development. We analyzed the product structure and development characteristics of the Zhuji pearl industry cluster as a case study. We then explore the formation and development process of specialized market in Zhuji pearl industry cluster to analyse the co-evolution development mechanism of pearl industry cluster and specialized market in Zhuji. Following we discuss the government’s promotion role in the development process of Zhuji pearl industry cluster development and specialized market: how to promote the brand strategy and promote market expansion, how to deepen integrated services and speed up the cluster upgrade from case studies. And the final part is conclusions and implications.

Key words: Co-evolution; Industry Cluster; Specialized Market; Case Study; Zhuji Pearl Industry

I. Introduction
Specialized market refers to kind of tangible or intangible commodity markets operating under the rules of market economy, with one or several industrial relevance of the goods as the main trading partners and has a certain scale which was formatted in a certain area. Since reform and opening, the specialized market played a crucial role as a shared trading platform for SMEs, and an institutional innovation to achieve economic transformation and for China to promote industrialization, urbanization and regional economic development. The linkage between the development of industrial clusters and the specialized market in Zhejiang constitute the most important features of the regional economy.

This study investigates the interactive evolution of pearl industry cluster and specialized market in Zhuji, China. As we know, since reform and opening up more than 30 years ago, a number of local industrial clusters in China's Zhejiang, Guangdong and other places are rising rapidly based on division of labor and specialization and cooperation, and show a strong competitive advantage. This paper will give in-depth analysis of the evolution and change of Zhejiang Zhuji pearl industry clusters network and specialized market. First of all we analyzed the literature review related to specialized market, then showed cluster size and structural changes in the product process, followed by combining the development process of the entire industry cluster analysis which focus on the specialized market evolution and the upgrade process, and then analyzed the promotion action of the governments in the development of pearl industry cluster and, finally, conclusions and implication.

*ITEM NO: IDRC105357-001.
II. Literature Review

As the presence history of the specialized market in Europe and the United States and other developed countries is not long, the related study is not so much. Some scholars such as Miller (1964), Braudel (1975) and Bu Ruinuo and Campbell (1994), etc., believe the emergence of the specialized market meet the business needs of the exchange and sale of products of the early process of industrialization, and along with the changing pattern of production and marketing, specialized market decline is inevitable.

In China, Jin Xiangrong, Ke Rongzhu (1997) established a market evolution model, analyzed the determinants of organizational choice and market trade, argued that specialized market was an induced institutional innovation for "barriers of system" on generated sales channel in China, and a practical challenge for Coase's classical theory of firms substitution market for transaction cost savings. Zheng Yongjun (2002) analyzed the formation of the specialized market both from institution demand and supply in Zhejiang. From the view of institution demand, he argued that developed Zhejiang have a strong demand of specialized market system because of the economic structure and development strategies, reflected in the large number of small-scale firms and rural enterprises with industrial space dispersion lack of corporate power, yet can not establish its own sales network; on the other hand, the main functions of sales network for industrial clusters in different regions of Zhejiang Province, only relying on the specialized market, to support the massive economic survival and development. From the point of system supply view, central government market reform of orientation and household contract system gave birth to the premise for the development of specialized market, which weaken the institutional barriers for the farmers and enterprises to enter the specialized market, while mercantile policy of local governments in Zhejiang played a role in acceleration development of the specialized market, even some of which directly involved in the formation of the specialized market.

Yang Qiang et al (2005) argued that the specialized market increased the production efficiency with large-scale, multi-variety and low prices of goods advantage. Meanwhile, due to increased trading volume, devoted to a particular commodity transaction becomes profitable within the specialized market. And merchants have a greater accumulation of advantage in the knowledge, information, experience, relationships and other links with warehousing freight, legal consulting, finance, catering, accommodation and other ancillary services support in the form, which greatly enhance the trading efficiency. LU Lijun (2007) don’t agree with “specialized market extinction” based on observation of developed process of industrialization history, which is not consistent with the reality of twenty years of rapid development of the Yiwu China Commodity City market. He developed a new division of labor model in classical economics, with the base-multiplier model in spatial economics, analyzed valid path of “Yiwu Business District”–Yiwu China Commodity City market, as a form inter-regional division of collaborative networks at the premise of increasing returns to scale, and discussed the inherent multi-mechanism in this development process.

III. Product structure and development characteristics of the Zhuji pearl industry cluster

In 20th century 70s, China had got technology breakthroughs of freshwater pearl cultivation and promoted the rapid development of China's pearl industry. In 2007, China's output of freshwater
pearls is 1,600 tons, representing 90% of the world's total output of freshwater pearls, and the exports sales amount is 208 million U.S. dollars, with employing more than 30 million people. Zhuji is the world's freshwater pearl industry center; Shanxiahu Town has the international reputation of “China Pearl Capital”¹. Zhuji pearl industry clusters have formed a complete industrial chain including pearl cultivation, processing, marketing, design and R&D, and developed a wide range of products including pearl jewelry, handicrafts, health care products, beauty products, clothing and other products. At present, the development of Zhuji pearl industry cluster mainly has the following characteristics:

1. **Pearl cultivation size and quality has already been the forefront of industry.** The freshwater pearl cultivation area of Zhuji city amounts to 38 million Mu, with over 5,000 multi-family farmers all over the country's five largest freshwater lakes and 12 provinces and cities, with annual output of high-grade freshwater pearls above 400 tons. And farming technology was implemented from the stocked young mussel farming methods to the raised mussels farming methods and then from extensive farming to a high fat, high-density-type farming changes, from small to large-scale farming, from decentralized to centralized contiguous farming model change. According to relevant statistics, there are more than 50 households with farming over 500 water acres, more than 40 households of more than 1,000 acres, and eight households more than 5,000 acres, nine households more than 10,000 acres. The major breeding area is throughout all the city waters, also includes other cities such as Shaoxing, Jinhua, Xiaoshan, Lanxi, Fuyang, Yiwu, Wenzhou, and the provinces of Jiangsu, Anhui, Hunan, Hubei, Jiangxi, Fujian, Guangdong, Sichuan, Hainan and other places. Pearl industry including farming, processing, and sales achieve the rapid development led by leading enterprises, and aquaculture show more obvious focus on the scale development of large-scale farming.

2. **Pearl firm size and strength has comprehensively been upgraded.** Zhuji city have 315 pearl deep processing enterprises, and 162 trade enterprises, of which 50 million Yuan in sales-degree super-pearl enterprises reached 20, and above billion business enterprises reached 8, with national key leading enterprise of agricultural 1; provincial agricultural leading enterprises in agriculture the backbone of 2, and another three being submitted for approval; city-level leading agricultural enterprises 5. There are two listed companies have entered the counseling period, in which a counseling period has ended, and has listed the information submitted by the State Securities Regulatory Commission plans to market by the end of this year.

3. **Pearl processing level and scientific and technological content has improved significantly.** At present, there are more than ten thousand pearl processing equipments (sets) in cluster, and the product covered four groups by pearl jewelry, pearl craft and pearl powder products, pearl cosmetics. The establishment of the province's first science and technology innovation service center for freshwater pearls is here, with a state-level key high-tech enterprise, and two provincial-level high-tech enterprises. There are 8 R&D Centers, in which two provincial centers, the provincial quality inspection center 1, and establish a long-term cooperative relationship with many domestic universities and research institutes in recent years, and get national and provincial scientific and technological projects more than 20.

4. **Pearl sales network and the burgeoning ranks.** Market practitioners have over three thousand people, and 30% of sales staff has long been engaged outside the city. Based on market window, the marketing network spread over 50 countries and regions. There are 12 enterprises as market

¹Refer to Zhejiang Zhuji: Pearl shining Yangtze River Delta, from October 7, 2008, “Economic Times”
window set up directly in Hong Kong, an enterprise in India. A relatively strong business network has been established with India, Italy, the United States, Japan, Singapore, Thailand, South Korea, Switzerland, France, Spain, Russia, Taiwan and other countries and regions, which has become the city's external display window of pearl industry, corporate image and publicity Pearl culture, and export channels. Market trading volume raised year by year, with the annual turnover of nearly 850 tons, turnover of more than 50 billion Yuan, import and export more than 100 million U.S. dollars.

5. Zhuji pearl export has been the main form of business. The export in the form of original rough pearl beads or raw materials accounted for total exports more than 75%. Pearl raw materials exports have been mainly an important channel for China's pearl business. According to customs statistics, from 2003 to 2006, pearl exports were 771 tons, 1103 tons, 532 tons, 572 tons, the export value was 66.85 million U.S. dollars, 123.74 million U.S. dollars, 146.5 million U.S. dollars, 143.97 million U.S. dollars respectively, and the average price of export pearls is 0.113 ~ 0.275 U.S. dollars/g². China's pearl jewelry grade has delicate texture and gentle luster, but the price is relatively low. Pearl raw material exports are the main business by primary means of price competition.

IV. Formation and development process of specialized market in Zhuji pearl industry cluster

1. Zhuji pearl industry cluster formation history of specialized market

Known as “China's Pearl Capital” reputation of the Shanxiahu Town of Zhuji City, Zhuji Pearl Market was founded in June 1985 (see Table 1). In early 80s of 20th century, pearl farming of Shanxiahu Town Zhuji ushered the first peak and formed a team of professionals from farming to sales. After the formation of industrial clusters in Zhuji, the peasants make freshwater pearl industry dazzle in the "Xishi hometown" from farming to transaction, from trading to processing, from processing to brand and in-depth development etc, but the market is thus a problem. Wei Tong, Jiangsu was run from the pearl market, the Industry and Commerce Office learned of the situation, then consult with the town leaders and farmers to build a Town wide pearl market, Zhan Zhonghua is one of them. Zhan Zhonghua used to run to Wei Tong back and forth. Ran several times, Zhan Zhonghua began pondering his office markets, adequately address the folks who sell beads is difficult, but also open up a wealth of new avenues. Then Zhan Zhonghua invested 1,000 Yuan supported by three partners each in their own doorstep with bamboo, oil blankets and glass fiber reinforced plastic built a simple market, from the wood of some social custom tables, benches and Coushang own bedside cabinets, all around, a mix of 50 a pearl trading stall is complete. Meanwhile, the foot of Shanxiaihu are actively cooperate with industrial and commercial building markets, and to help run the direction of the market at home and abroad pearl dealers invitation. June 20, 1985, "Guang-shan pearl trading market," opened for business, and this is the first prototype of Zhuji Pearl Market. In the market management fee was charged according to 1% of transaction volume as a result, and the management fee charged is 50 Yuan at opening the first day, the next day reached more than 250 Yuan. Since then the influence of Guangshan pearl market was expanding, Fujian, Anhui, Jiangsu and other places of the merchants came after another. Since then, Hong Kong and Macao businessmen flocked to buy pearl market, the market

the way annual trade volume rising quickly reached the tens of millions. In order to solve the problem of foreign businessmen and room and board, the market also gradually is equipped with a cafeteria and hotels - hostels have 20 spring beds. The early impact of pearl market founded by Zhan Zhonghua is profound. Today, Shanxiahu Town has become a distribution center for the world's freshwater pearls, and the main function of pearl market has shifted from the commodity trading to commodity display and the exchange of information, but as the first person to eat crabs, his contribution to Shanxiahu Town pearl industry cluster development can not eliminate. As the situation develops, the pearl size of the market expanding addresses one again and change has been change to 5, and the city developed into today's jewelry. From the first few people to form a market and then to the Government's concern and the creation of large markets (cement column - small farms - scale - Supermarket - Pearl Market - International Jewelry City), the competitive advantage of Zhuji industrial clusters, was strengthened by specialized market step by step.

Table 1 Evolution of Specialized Market in Zhuji Pearl Industry

<table>
<thead>
<tr>
<th>Content Item</th>
<th>The first generation</th>
<th>Second Generation</th>
<th>Third Generation</th>
<th>Fourth Generation</th>
<th>Fifth Generation</th>
<th>Sixth Generation</th>
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<td>Xijiang Farmers Market</td>
<td>Xijiang Farmers Market</td>
<td>Zhuji Pearl Market</td>
<td>Zhuji Pearl Market</td>
<td>Eastern China International Jewelry City</td>
</tr>
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<td>Market nature</td>
<td>Farmers spontaneous</td>
<td>Township government and village co-processing</td>
<td>ownership government and industry and commerce bureau</td>
<td>Zhuji Market Service, Zhuji Jewelry Company, Shanxiahu Town government</td>
<td>Zhuji Market Service, Shanxiahu Town government</td>
<td>Foreign Investment</td>
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<td>Open business</td>
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<td>Pearl</td>
<td>Pearl</td>
<td>Pearl, Fitting</td>
<td>Pearl, Jewelry, Fitting</td>
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<td>11391</td>
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<td>686</td>
<td>921</td>
<td>1000</td>
<td>2380</td>
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<tr>
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<td>150</td>
<td>350</td>
<td>500</td>
<td>650</td>
<td>750</td>
</tr>
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</table>
2. Evolution process of specialized market in Zhuji pearl industry cluster

Shanxiahu Town of Zhuji City, Zhuji Pearl Market, the site easy to expand by five times change (see Chart 1), the country has developed into a larger facility complete the original beads, pearl jewelry, pearl crafts, pearl comprehensive trading professional beauty care products market, the State Council Development Research Center is ranked as “the country's largest pearls and pearl jewelry the specialized market”. In 2005, the pearl market turnover reached 1,100 tons, turnover of 2.236 billion Yuan, accounting for freshwater pearl trading volume of 80%. Zhejiang Zhuji Pearl Market is China's largest freshwater pearl specialized market. Market transactions of goods are mainly fresh water pearls, varieties of the original beads, pearl jewelry, pearl crafts, pearl beauty health care products four main categories, more than 1,000 kinds. Shanxiahu Town has even become the country's freshwater pearl trading center, information center and research and development center, holding over 70% of the national production of the original beads, the market spread to Europe and America, the Middle East, Southeast Asia, Korea, Hong Kong and Macao and other countries and regions.

Fifth-generation pearl market in the construction and opening in November 2000, is the nation's largest and most advanced facilities, services, means the most modern pearl specialized market, the market a total investment of 35 million Yuan, covers an area of 50,000 square meters, construction area of 15360 square m, which consists of 100 fine rooms, business booths 1000, set pearl trading, e-commerce, pearl culture in one, with a sound financial, telecommunications, postal services, shipping and other markets joint service system. Market transactions of goods is mainly freshwater pearls, including the original beads, pearl jewelry, pearl crafts, pearl beauty and health of more than 1000 varieties of four major categories. Zhuji Pearl Market with its unique charm has attracted many domestic and foreign businessmen and celebrities, best-selling domestic goods, exported to the United States, Japan, Russia and Southeast Asia and other countries and regions. At present, the flow of nearly ten thousand times the Japanese market in 2004, total market volume of 680 tons, accounting for the volume of fresh water pearls 80%, the Hong Kong market over 90% of freshwater pearls from Zhuji pearl market, total market turnover of 1.62 billion million, of which export 27 million U.S. dollars, boosted the city five thousand people engaged in pearl breeding, processing and circulation, Shanxiahu Town in 2002 per capita income reached 106 million Yuan, the market really helps, "to do a market, Hing side of economic, Rich party people, "the leading role, is the largest specialized market of freshwater pearls, and is rated as the State Council Development Research Center," China's largest pearl, pearl jewelry the specialized market, "appeared in the" China the most. " Has been named the State Trade and Industry Bureau and other units across the country and civilized market, Zhejiang Province, three-star civilized regulate the market, the provincial key markets, the provincial fixed market, the first foreign-related tourism.
3. The latest upgrade of specialized market: East China International Jewelry City

The evolution of the market system itself is an alternative process for one market system replaced constantly by another system with lower transaction costs [8]. Chen Lizhen (2009) argued that the specialized market can act as a 4PL role in promoting industrial upgrading as the hub of suppliers, manufacturers and distributors, since the present cluster has complex relationship between related companies within and outside the cluster.

East China International Jewelry City (the sixth generation of pearl trading market) was completed in October 2007; its size is the fifth generation of pearl market, 10 times. May 18, 2008, a total investment of more than 30 billion Yuan East China International Jewelry City, select the Sixth China (International) Pearl Festival opening ceremony at the same time the opening of this event, the Zhuji was awarded the "pearl of Capital." East China International Jewelry City has the intention to build the world's pearl jewelry trading center. Jewelry opened in the city, was given a lot of kind words outside world. The key highlight is that, first, it is positioned in the world pearl jewelry trading center in the market, further enhances the throughput Zhuji as "the world's largest freshwater Pearl and the Chinese water beads collection point" of the advantages of mountain lakes of the world's freshwater pearls pricing impact of increasingly significant; second, as a mountain lake, the sixth generation of pearl market in East China Zhejiang International Jewelry City, completely changed the traditional specialized market products obsolete, the building behind the impression that as the agricultural products from the "pearl" to luxury goods " jewelry, "the changes, known as the specialized market, Zhejiang, the most chic of" turning. " Opening day, Zhuji City leaders said sounded radiant, East China International Jewelry City built so that the
"pearl of the villages," truly brought together into the world of fine jewelry, "jewelry city." With the city of East China Jewelry, turned out behind it 6 Zhuji local shareholders -- Zhejiang Shanxiahu Pearl Co., Ltd., Zhejiang RUANS Pearl Co., Ltd., Zhejiang Jiali Pearl Jewelry Co., Ltd., Zhejiang Shanshui Jewelry Co., Ltd., Zhejiang Angel Tears Jewelry Co., Ltd., Beihai Dexing Pearl Co., Ltd. in this war can be described as its proximity to upgrade, to take the lead. Technological innovation and value upgrades, become a mountain lake pearl industry, upgrade notes, has become from the "Chinese Hometown of Pearls" to "International Jewelry City" this city's calling card to upgrade the power booster. East China International Jewelry City, as the world's pearl jewelry trading center, with a total planning area of 1.2 million square meters, including a 2380 market stalls / stalls the construction and opening, has been assigned to pearls, gem stones, crystal, miscellaneous stones, jewelry and so on more than 1000 at home business at home and abroad. East China International Jewelry City operations, greatly improving the visibility of Chinese freshwater pearls and influence, a strong impetus to the development of Zhuji pearl industry.

East China International Jewelry City project will create a new room for development, a comprehensive business opportunities as well as a full range of service areas. It will freshwater pearls, South Sea pearls, black pearls and other types of pearl raw materials as the leading products, and covers all types of jewelry, including gold, silver, diamonds, precious stones, semi-precious stones, stones and other miscellaneous types of jewelry products, set pearl, jewelry, jewelry processing, research and development, design, inlaid, manufacturing, wholesale, bonded logistics, warehousing and distribution, e-commerce, convention and exhibition, and intermediary services in one. The project has more than 5000 super-large portfolio of professional premises, upon completion, will become a world of pearls, jewelry manufacturing and processing centers, distribution and logistics center, brand display and trade center, financial flows and the post center, jewelry and cultural exchanges and business travel shopping malls, as well as international and domestic jewelry brands in marketing headquarters and trading center. The entire jewelry industry, rather than the direction of a single product to develop, of course, Pearl is the leading product, where and pearl related: breeding, processing, product and technology R & D, quality inspection as well as academic research will be covered by the pearl driven metal, diamonds, colored gemstones, accessories and packaging design. Zhuji is expected to account for 5 local companies into the domestic into the other regions accounted for three of Hong Kong and overseas, accounting for two into. The overall layout of this project will be divided into five regions, including jewelry raw materials, finished products and tools, equipment trading range; display area; processing zones; business centers and service areas, and jewelry industries the characteristics of raw materials and products combine to give full play international standard, modern scale, perfect facilities for a variety of features.

East China International Jewelry City, the first phase covers an area of about 600 acres, planning construction area of about 500,000 square meters, of which the market trading range will be built all kinds of trade show shops and stalls at about 2400 (with three layers and two layers 5mx12m 4mx8m of shops and a layer of 3mx3m size of the stalls, etc.), the layout of the overall market is reasonable, with a central or independent air-conditioning installations and intelligent infrastructure, interior decoration and layout of a modern style, complemented by surrounding office buildings, five-star hotels, life supporting and green leisure and other facilities to form a large well-equipped modern trading platform. At present, an opening of the market have been
completed, there is almost 1,000 jewelry business approach operations, which have been operated by foreign entry has two, the market and the surrounding area within the 147-funded companies, and individual industrial and commercial households 891, and another 400 multi-family businesses have registered for admission. Because business is booming, jewelry city has been the local government into the five-star market and the 4A-level scenic spots to declare plans, market trading activity of radiation in the world more than 50 countries and regions. The overall layout of the project will be divided into five regions, including jewelry raw materials, finished products and tools, equipment trading range; display area; processing zones; business centers and service areas, and jewelry industries the characteristics of raw materials and products combined give full play to the international of standards, modern, perfect facilities for a variety of features. "From 1980 onwards, the world's pearl industry, from Tokyo to Hong Kong, to the current Zhuji, Pearl International Trade Center will eventually complete its migration path." Chen Weiguo, vice president of the International Jewelry City, said that the next production will be given to Mountain Lake, more than 10000 beads in agriculture, processing field with the rise of a large number of internationally competitive local manufacturing enterprises in Pearl, while the market as a leader, will play a role in promoting the industrial upgrading.

4. The co-development of the specialized market and pearl industry clusters
RUANS group was established in 1997, has successfully launched one of the few Chinese brands of the pearl industry. RUANS-chairman Ruan Tiejun said that only with the brand, value-added in order to go up. "When the foreign market research, and found the same thing, paste your brand can be several times or even hundreds of times, very popular with stimulation. Come back later, I was determined to create their own brand." Freshwater pearls are the traditional round, white, the main criteria for measuring the quality of pearls is the size and color, and now, Zhuji shaped pearl shapes and colors often beyond your imagination. 2008 RUANS Group 1 by 19 special-shaped multicolored pearl necklace strung together, they sold 20 million. "Alien pearl products bead to provide more space for imagination, and therefore require higher design capacity." Greater degree of product differentiation, market the smaller the price elasticity of demand, manufacturers control the prices of the larger space, which can have greater market power, Also can avoid industrial cluster in the homogeneous Bertrand competition. Product differentiation can not only fill gaps in market demand to meet the diverse needs of consumers, but also from the perspective of competitive strategy can cope with competitors split the market share, play a role in curbing potential entrants.

Proposition1. The specialized market, have prompted enterprises to reduce the cost of transaction and production as a sharing platform for industry expansion and production factors accumulation.
As an labor-intensive light industrial products, the marginal cost of the corresponding pearl enterprises is small after large scale of production in the value chain. Increasing number of dealers create strong market demand for related goods in the specialized market, which is one of the premises of the industry agglomeration to strengthen the market's price discovery function for value creation through value network and inclusive mechanism for the development. This make specialized market become knowledge and information feedback and sharing participation mechanism for single individual involved in cooperation: the market entry threshold is low enough for to everybody to join the companies employment and get revenue sharing, so that to
deepen the division of labor in industry chain and promote inclusive development. From the
dynamic point of view, in the specialized market, enterprises have innovative power and pressure
within the cluster. Innovation in industrial clusters inside and outside the network will change the
economic effects of the breadth and depth, allowing the cluster to enhance the stability of the
evolution of the system, cluster of similar enterprises in the internal product quality, price and
product differentiation more competitive, and this competition pressure on individual companies
differentiate their products and continuous innovation, and to gain more significant than the
cluster of external business benefits of product differentiation and market share, thereby greatly
enhancing the industrial clusters of the anti-risk ability.

**Proposition 2.** The specialized market, have prompted enterprises to improve the
degree of product differentiation, thereby reducing the intensity of competition
and promoting the sustainable development of industrial clusters.

Differentiated based on the professional development of the market-based industrial clusters is
conducive to optimizing the economic structure, change the mode of economic development; a
beneficial intensive use of land resources, focus on environmental governance; help drive the
development of SMEs and enhance regional and industrial competitiveness; a help co-ordinate
regional and urban and rural development, accelerate the industrialization and urbanization. The
longer the local industry chain is the greater space for industry development. Similar products in
the higher the degree of relative differences, the subjective preferences of consumers, the higher
the degree, firms have greater market power. So, even if product prices set higher, consumers are
willing to buy, are willing to pay higher transportation costs, that is, the impact of prices on
consumer demand is relatively smaller. With our observations in reality the same, namely,
consumers often are not sensitive to the price of brand-name products, which is the source of a
premium brand, so in reality there are powerful business always trying to create brand awareness,
brand reputation and brand loyalty. The relative degree of product differentiation the greater the
lower the intensity of competition, firms have greater market power. In other words, to a certain
stage of evolution of industrial clusters, in the specialized market, competitive pressures,
enterprises adopt product differentiation strategy can reduce the intensity of competition to
promote the sustainable development of industrial clusters.

**V Government’s promotion in the process of Zhuji pearl industry cluster
development and specialized market**

Shanxiahu Town have dozen pearl companies with the assets of more than 100 million, who either
have a very rich pearl culture experience, or have strong marketing capabilities. But for now,
many large companies involved in pearl breeding, processing, marketing, research and
development and other fields, while the production of individual enterprises, but lack of depth in
breadth, the internal degree of specialization is not high, the whole industry chain roundabout
production is not obvious, large inter-enterprise many competitors, and even moving small
industrial clusters still in the gathering effect of the primary stage, failed to meet the
enterprise-linked mainly to obtain more advanced stage of a significant economic benefit. How to
avoid the risks of pearl industry; and how to seize the favorable opportunity to promote industrial
upgrading? Zhuji Municipal Government and industry and commerce administration and other
functional departments as well as Shanxiahu Town Party Committee government, in the breeding,
sale, processing and other aspects of positive guidance, pearl industry, association with the breeding, sale and processing of big wave in the market to continuously explore the inside.

1. **Promote the brand strategy and promote market expansion**

Zhuji city attaches great importance to brand building and strengthening through the convening of the mobilization of the General Assembly, creating a variety of incentives such as a license to guide enterprises to develop brand creation activities, and the number of national brand ranks first in Zhejiang Province. At present, the city's total of three well-known trademarks in China, China's brand-name products 11, 46 Zhejiang famous brands of Zhejiang famous brand products 44, Shaoxing 151 brand-name products, the brand has become an important support of regional economic force. The effective implementation of brand strategy and promote the economic acceleration to mention quality, brand-name products output value reached 32.52 billion Yuan a year, accounting for the city's total industrial output value of nearly 40%. Would establish a Chinese brand-name companies to the international brand-name title to learn, provincial famous brand to the state learn from the provincial city of famous brand names to learn, no brand name to a brand-name learning experience in brand building and brand management mechanism. Zhuji also focused on the overall brand-building cluster. The industry as a whole brand and product single brands organically combine together to expand the market. Zhuji has been held for the fifth consecutive International Pearl Festival, which for the pearl industry clusters to establish the brand as a whole had a positive impact. In addition, enterprises actively organized exhibitions develop the market. Mountain Lake freshwater pearl products are 80% exported through Hong Kong and other places the international market.

At the same time, Zhuji municipal government attaches great importance to the cultivation and development of the specialized market, and has issued a series of specific policies, which mainly include: preferential tax collected free of industrial and commercial management fees to support the market development; market of construction land in accordance with social public welfare project to sell land, and the relief a certain level of hydropower capacity increase fees and ancillary fees; regulate the market within the various fees and charges the collection; all financial institutions to give financial support to the market and so on. Zhuji developed a great loss policy advice to businesses, organizations, municipal-scale enterprises selected by the municipal city Uniform Naming awarding; select a number of growth, and the development potential of enterprises selected for city-level industry "seedling" enterprises, as the first 2-tier to focus on training; set up a Government special award in the paid taxes, the introduction of foreign investment, export, investment in technological reform, well-known trademark (brand name) product selection, high-tech enterprises such as the assessment of the significant success of the enterprise and business shall be given special incentives; the establishment of small and medium enterprises service center, targeted for enterprises to develop services; to carry out city leaders, "6 a" contact activity, led by the four sets of groups associated a scale enterprises to effectively address the development of the enterprise encountered the practical difficulties, and further stimulate innovation in the industry's enterprises.

2. **Deepen integrated services and speed up the cluster upgrade**

"Industrial upgrading is an important experience of Zhuji pearl industry cluster development." Shaoxing Municipal Standing Committee and Zhuji City secretary Tan Zhigui, said Zhuji committed to promote the massive economy to a modern industrial cluster promotion, vigorously implement the technology, brand, patent strategy to promote the brand of traditional industries and
emerging industries of scale, leading high-technology industries, pearl industries massive markedly enhanced the overall competitiveness of the economy. Party committees and governments in the early stages of industrial clusters or the formation stage, the basic elements of its ability to make a basic test through the market to determine, for promising to give confirmation of the cluster, and timely development of guidance and support of development planning. In order to promote the development of industrial clusters, Zhuji City in 2003 formulated the "advanced manufacturing base construction plan (2003-2007)," and proposed to build two major international center, build a national base for the five strategic objectives, and from industry scale, product brand, lead cultivation, technological innovation and the level of opening five dimensions of the objectives of the refinement and decomposition. Planning the socks clusters, pearl industry, industry clusters, copper processing industry clusters, and environmental protection equipment industry clusters, jacquard fabric (satin) industry cluster, garment industrial clusters and packaging industry clusters, etc., as the focus of development, but also complete the work to develop the system measures, and strengthening organizational leadership and inspectors, including assessment, create a favorable environment for development, increase fiscal and financial support, the various elements of the rational allocation of resources to strengthen and improve the sector management, including the five security system. Recently, also two emerging industry cluster (computer embroidery machine industry and the bearing bush industry) promptly formulated a development plan, which for the cluster's rapid growth and very beneficial to future development. The development plans of local industrial clusters should handle properly the industrial organization of spatial relations, properly handle the relationship between of the industrial cluster development and industrialization, urbanization and modernization, and make the central role of the full planning in the regional economic development.

General Manager Ruan Hua-jun in RUANS-pearl jewelry Co., Ltd Deputy with a doctorate said he believed that Chinese freshwater pearl industry upgrading general idea should be: to rely on high technology, improve product quality; extend the industrial chain and increase of added value; establishment of modern enterprise and scientific management system, to expand production scale, broaden business ideas, create a strong brand; to increase the role of industry associations, stabilize market volatility; developing industry standards, specifications technical indicators; to increase research and development investment to achieve technological innovation. As an enterprise, on the one hand, we can use biotechnology to focus on the optimization of clam species; mussels feed development, disease prevention and shaped beads mussel cultivation and other research topics. On the other hand, we can be used to introduce advanced equipment from abroad, technology and domestic-oriented reform and the method of combining self-development, production and access to high value-added quality products. As some companies to increase investment in science and technology efforts, pearl quality will be significantly enhanced in order to achieve sales and marketing refined pearls differentiation. Future enterprises can seek a breakthrough on the following points: the original beads to create their own brand or pearl jewelry, and other processed products of the brand, and use chain in the form of Monopoly promotion in the country and the world; training, the introduction of a number of high-quality scientific and technical personnel to improve the competitiveness of enterprises. At the same time, Shanxiahu Town Government fully supports the local industry, trying to take advantage characteristics of industrial parks as a platform to improve the foot of Shanxiahu Town pearl deep processing technology.
He Yong-Gang, deputy mayor of the Shanxiahu Town tell us, they are make use of pearls platforms of Processing Zone of Zhejiang Province for the development of pearls to take the good pearl deep processing of the article. Features Processing Zone covers an area of 1,500 acres of the planning, construction scale of pearl powder can be processed for the year 400,000 kilograms, 20 million pearl jewelry, pearl handicrafts 1.5 million, 80 tons of pearl powder capsules, cosmetics and 500,000 bottles, the annual production value of 2 billion Yuan. At present, an area of 350 acres of a building there were 26 companies short-listed will be all put into operation in June of this year. The two-building covers an area of 1150 acres has also been demonstrated through the planning will soon be fully operational, the park is completed, mountain lake will become a truly international pearl processing, and research centers.

VI. Conclusions and Implications
Industrial clusters in Zhuji and other places have got rapid development and rise to form a strong supporting industries and manufacturing capabilities, and rapid increase in labor productivity. In this process, the specialized market has played a leading role in the sustained and rapid economic growth in the region and farmers increase their income to provide a great impetus. Practice has proved that industrial clusters adapted to the global economic competition, form a single enterprise competition to the new trend of competition in the industry chain is becoming the region's most economically competitive form of industrial organization, and specialized markets, to set up a powerful impetus to the inclusive development.

Meanwhile, in the current economic situation, we should take special emphasis on industrial cluster risk factors. We can not ignore the fact that, despite the output of freshwater pearls in China accounted for more than 90% of world production, but the pearl trade volume was only about 20% of world trade. Such a huge contrast between production and income shows that although China's freshwater pearl industry in the international market already has got a very important position, but the pearl industry face the further development and upgrading of the existence of various constraints. This requires that we attach importance to technical innovation and institutional innovation, according to industry cluster development background and the environment, accelerate the development of producer services, expand the radiation scope of the specialized market, and strive to break the elements of economic development constraints to cultivate new economic growth point, make Zhuji massive transformation from traditional zone economy to modern industrial clusters and continuous upgrading of the block of regional economic competitiveness.

References:

