



# OPPORTUNITIES FOR THE DEVELOPMENT OF WOMEN-LED BUSINESSES AND CLUSTERS VIA COLLECTIVE MARKS AND CERTIFICATIONS MARKS

ULAANBAATAR  
2023





In partnership with  
**Canada**



The Asia Foundation



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**ULAANBAATAR**

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# **OPPORTUNITIES FOR THE DEVELOPMENT OF WOMEN-LED BUSINESSES AND CLUSTERS VIA COLLECTIVE MARKS AND CERTIFICATIONS MARKS**

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## INTRODUCTION

This paper thoroughly explores the use of collective marks and certification marks and how women entrepreneurs in Mongolia can harness these tools to their advantage. In Mongolia, micro and small businesses, often led by women entrepreneurs, face various challenges, including a weak supply chain, transportation issues, lack of networks, and barriers to accessing finance, among others. To support these businesses, exploring innovative strategies, tools, and approaches is essential.

Utilizing collective marks and certification marks offers a promising avenue for enhancing business efficiencies and market competitiveness. As outlined in this paper, they can be important tools for women entrepreneurs to distinguish their products or services in the market and build trust with consumers.

Globally, numerous policies and strategies are in place to foster the growth and development of trade and sales. By examining best practices and applying those to the Mongolian context, this paper provides a valuable roadmap for stakeholders, including development organizations, women entrepreneurs, and policymakers, to utilize collective and certification marks.

This paper endeavors to leverage international precedents, drawing from their experiences to develop an optimal system. The overarching goal is to pave the way for creating distinctive marks tailored to women-led businesses and clusters at the manufacturing and service levels. Additionally, this paper explores avenues for extending support and facilitating the creation of collaborative brands among these targeted businesses, utilizing the practical tools of collective and certification marks.

## Challenges for Women-Led Businesses and the Need For Collective and Certification Marks

Before exploring specific opportunities for women-led businesses and the potential benefits of collective and certification marks, examining the operational landscape and challenges these enterprises encounter is crucial. Micro and small businesses, often helmed by women entrepreneurs, face many difficulties in their day-to-day operations. These challenges span from external factors such as the global economic climate, inflation, and tax conditions to the absence of policies that support small and medium-sized enterprises. On a micro-scale, we identify several pressing issues:

1. **Investment:** Securing capital for business expansion remains a hurdle, with operational costs from traditional financial institutions presenting obstacles. A lack of collateral complicates access to loans, while non-bank financial institutions impose exorbitant interest rates, placing businesses at considerable risk.
2. **Raw Material Procurement:** High procurement costs persist due to limited production quantities characteristic of small and medium enterprises.
3. **Sales Channels:** Limited product sales avenues exist, often constrained by large retailers' specific product requirements and minimum order thresholds.
4. **Marketing:** Penetrating foreign markets and introducing products to a broader audience necessitates substantial marketing efforts. Challenges arise from the lack of marketing expertise and the associated high costs of professional services.
5. **Operations:** Small enterprises frequently grapple with limited human resources. Additionally, tasks such as cost calculation and management expertise prove hard to come by.

Furthermore, our observations reveal that many women-led business owners lack access to medium to long-term planning, often navigating from one challenge to the next without support. These challenges, while significant, offer opportunities for resolution through collaborative approaches, including co-branding initiatives and joint procurement strategies. Clustering these businesses, enhancing financial mechanisms, and launching training programs covering business management, product and service development, financing, and human resource management emerge as optimal solutions. Such cooperative efforts can foster stable operations while mitigating unit production, marketing, and human resource expenses.

## 1.2

# Distiguising Trademarks, Certification Marks, and Collective Marks: Understanding Their Differences, Scope, and Applications

Trademarks, certification, and collective marks are important modern trade and business concepts. They are an integral component of the supply chain, fostering connections between consumers, producers, and service providers in day-to-day business. Further, businesses develop their expansion and brand recognition strategies based on these concepts. As such, it is crucial to understand the differences in scope, application features, and goals of trademarks, certification marks, and collective marks before implementing them.

### 1.2.1 Trademark

A trademark is a letter, symbol, design, or combination that distinguishes products or services from a specific source, setting them apart from others in the market. The concept of marking finds its earliest roots in the branding of livestock by farmers and property owners, serving as a means to distinguish their possessions. Initially centered on property identification, this practice gradually evolved and diversified as trade expanded.

Fundamentally, a trademark's primary purpose is to differentiate a product or service from its rivals and establish recognition. However, it should be noted that a trademark does not inherently assure quality, design excellence, or adherence to specific standards.

#### Examples of trademarks:



Figure 1

Mobicom Corporation owns this particular trademark, intended to distinguish it from competitors and increase brand recognition among customers. It does not guarantee any standards or quality.



Figure 2

Adidas AG owns this trademark that distinguishes its products from its competitors and helps customers recognize the brand. It does not guarantee any standards or quality.

## 1.2.2 Certification Mark

The concept of the certification mark came into fruition in the early 20th century with the primary objective of ensuring and upholding standards and quality in the production and provision of goods and services. A certification mark takes the form of a name, symbol, or image, serving as a clear signal to consumers that the associated products, services, or providers have successfully met specific standards. These standards encompass various aspects, such as:

- Product or service quality standards
- Product or service origin
- Materials and composition used in the product or service
- Technology and methods employed in delivering the product or service
- The expertise and proficiency of the manufacturer or service provider, among others.

Notably, a certification mark falls under the umbrella of trademarks but carries a distinct purpose. It serves as a guarantee that a product aligns with defined standards and is typically certified by an impartial third party. Key differences between trademarks and certification marks include:

- **Usage:** Certification marks are not employed by product owners themselves but by authorized entities, including certification companies, standards organizations, professional associations, government bodies, and more.
- **Function:** Unlike trademarks, which emphasize product differentiation and the identification of producers or providers, certification marks focus on indicating that specific quality benchmarks have been met. In essence, they guide consumers toward purchasing products that align with their particular requirements.
- **Regulation:** Certification marks are subject to more rigorous regulation than traditional trademarks. They necessitate the establishment of quality control systems for both products and producers, with this information made accessible to the public.

In summary, certification marks represent a specialized category within the realm of trademarks, serving as a robust assurance of product quality and adherence to established standards, and they are entrusted to authorized bodies rather than product owners themselves.

## Examples of Certification Marks:



Figure 3

### 1. USDA Organic

The USDA Organic Certification Mark, established by the United States Department of Agriculture, serves as a hallmark of authenticity for organic produce and agricultural goods. Organic farming practices, underlying this certification, prioritize responsible utilization of biological resources, thereby safeguarding ecological integrity and biodiversity.

On one hand, the certification mark enables quality control, promoting policy coordination within the sector and expanding consumer options. On the other hand, it empowers producers to promote their production methods while substantiating the organic status of their offerings through the endorsement of a trusted third party. This not only boosts customer confidence but also amplifies sales potential.



Figure 4

### 2. Mongolian Noble Fibre

Mongolian Noble Fibre is a registered certification mark recognized by both Mongolian and international intellectual property organizations, strategically designed to bolster the export of wool and cashmere products. This mark is jointly owned by the Ministry of Food, Agriculture, and Light Industry, along with the Mongolian Wool & Cashmere Association. Its overarching mission is to elevate the worth of Mongolian cashmere and establish a prestigious brand by establishing rigorous quality standards, particularly emphasizing the utilization of the finest fibers. This certification mark can be used for textiles, knitted fabrics, and de-haired cashmere products.

### 1.2.3 Collective Mark

Collective marks are jointly owned by manufacturers, service providers, or businesses with geographical affiliations. These marks are employed by groups or associations, with their members granted the privilege to use them to emphasize various attributes of their products, such as origin, quality, materials, production methods, or shared characteristics.

The primary distinction between collective marks and certification marks lies in their usage. Collective marks are typically exclusive to members within the business cluster or association, serving as a symbol of their affiliation. In contrast, certification marks are more inclusive, available for use by anyone who meets the established standards set by the mark owner.

Moreover, collective marks have been instrumental in collaborative marketing efforts, brand establishment, and the growth of small or regional businesses internationally.

#### Example of a Collective Mark:



Figure 5

#### 3. Melinda apples

This collective mark is used by a community of over 4,000 farmers representing 16 farming cooperatives in the Val Di Non valley of the Trentino region in Italy. Farmers have tended to their apple orchards in this valley, which sits at elevations ranging from 500 to 1,000 meters above sea level, for over two thousand years. Within this unique climate, the apples acquire their distinctive color, taste, and aroma.

In the late 1980s, it was discovered that three times as many apples were sold under the name “Val di Non” than the valley produced. Faced with this challenge, the enterprising farmers collectively decided to establish a brand that would allow customers to recognize and trust their apples’ authenticity easily. The process was streamlined, thanks to the cooperative nature of these small-scale agricultural businesses, all sharing similar farming methods.

The farmers came together to establish uniform rules and methods, implement stringent quality controls, and even standardized packaging for the collective mark. This collaboration paved the way for Val Di Non apples to compete in both domestic and international markets, offering a premium product renowned for its unique identity and superior quality.

## Understanding Cluster Development

In today's dynamic economy, collaboration among business enterprises has become increasingly prevalent. The United Nations Industrial Development Organization (UNIDO) characterizes a cluster as "geographical concentrations of inter-connected enterprises and associated institutions that encounter shared challenges and opportunities." Essentially, a cluster represents a structured coalition of manufacturers and service providers engaged in interconnected activities. Typically, clusters are distinguished by their shared sectoral focus or geographical proximity.

While numerous efforts have been made to foster cluster development in Mongolia, uncertainties and fragmented legal and financial systems have often impeded progress. Addressing this challenge and promoting sustainable cluster development requires a more comprehensive exploration of the policy environment. Clearly defining the laws and regulations governing these interconnected enterprises is imperative.

Optimally, women-led businesses should consider joining a cluster and collaborating to establish collective marks, fostering a co-marketing brand. This approach enables them to differentiate their co-brand, enhance sales, and streamline their supply chain costs. Moreover, adopting a cluster-level collective mark, informed by global best practices and tailored to the cluster's unique characteristics, holds considerable advantages. Establishing a horizontal cluster and a collective mark and brand for entry into foreign markets is an optimal strategy to achieve these goals.

### 1.3.1 Business Cluster Categories

#### Regional clusters

Enterprises within the same geographical region frequently engage in collaborative efforts, even those operating in different sectors. This collaboration is most effective when private and governmental entities in the same region work together for major projects or nurture the development of a robust industrial infrastructure. An illustrative case is Silicon Valley, where creating favorable tax incentives and robust infrastructure was pivotal in establishing a prominent and influential cluster.

#### Sectoral clusters

A sectoral cluster can be understood as a collaborative network of enterprises within the same industry or sector, united in their efforts to reach their target markets effectively. For instance, IT companies might pool their expertise and partner with parts manufacturers to embark on significant ventures, like the establishment of a car manufacturing plant for companies like Tesla.

Within sectoral clusters, members operate within various frameworks, often depending on their industry's specific demands. These clusters generally fall into two primary categories, determined by their supply chain dynamics:

### **1. Vertical Clusters:**

Vertical clusters are characterized by enterprises connected based on their supply chain cost levels. For instance, a paper recycling company may supply materials to a printing company, which, in turn, supplies the recycling company with necessary resources. This approach can result in cost efficiencies and higher profit margins, particularly when handling substantial orders.

### **2. Horizontal Clusters:**

In contrast, horizontal clusters are formed when enterprises produce similar products or offer comparable services, allowing them to collaborate in establishing a common brand or securing significant contracts.

### **Industrial Clusters:**

Industrial clusters represent the most prevalent and extensive type of clusters, commonly found in sectors such as mining, oil, automotive, textiles, agriculture, and logistics. These clusters form intricate networks encompassing a wide range of entities, including businesses, research organizations, financial institutions, small-scale manufacturers, and logistics companies. A prime example is the automotive industry, where small manufacturers supply parts and components, the car manufacturer assembles them, ensures quality standards and financial institutions develop the financial structures for all involved parties.

## Collective Marks in the Context of Clusters and Women-Led Businesses

Branding is necessary for enterprises to thrive in today's fierce competition. Customers often purchase, and even pay more, for brands they trust to be high quality, increase their perceived status, or those that share similar philosophies. While small and medium enterprises often lack the resources to create a well-known brand, collective brands can help SMEs overcome this.

### 1.4.1 Applications, Precedents, Impacts, and Advantages of Collective Marks

According to research by Oliver Gerguad and Florine Livat<sup>1</sup>, collective brands guarantee quality and boost the image of their members and their products. Customers do not differentiate between the enterprises under a collective mark. Collective brand organizations differ based on product features, members, size, target customers, competition, and domestic and foreign markets. The Paris Convention for the Protection of Industrial Property<sup>2</sup> is an international legal act that created the legal basis for establishing, applying, and registering collective marks. This act obliges convention members to register and protect lawful collective mark applications in their country.<sup>3</sup>

Collective marks are legally protected in most countries. Countries like the USA, Great Britain, Italy, Austria, Spain, Turkey, and Switzerland regulate collective marks via trademark laws. At the same time, Norway, Denmark, Finland, and Sweden have created legal regulations for collective marks.

Registering a collective mark differentiates it from other products on the market and usually reflects its geographical origin, materials, production methods, and other features. Associations of legal entities and individuals may register a collective mark in their name. These are often corporations, voluntary associations, or government organizations from global experience. Only entities belonging to the collective mark may use it and their trademarks if not stated otherwise in the law.

The owner or applicant of the collective mark is responsible for quality controlling their products. It is necessary to clearly define quality standards in the mark's rules and regulations, as these are often required for registration in most countries. The regulations should also clearly state repercussions for misuse.

<sup>1</sup> Team versus individual reputations : a model of interaction and some empirical evidence (researchgate.net)  
[https://www.researchgate.net/publication/5179498\\_Team\\_versus\\_individual\\_reputations\\_a\\_model\\_of\\_interaction\\_and\\_some\\_empirical\\_evidence](https://www.researchgate.net/publication/5179498_Team_versus_individual_reputations_a_model_of_interaction_and_some_empirical_evidence)

<sup>2</sup> Paris Convention for the Protection of Industrial Property  
[https://www.unido.org/sites/default/files/2014-04/Paris\\_Convention\\_0.pdf](https://www.unido.org/sites/default/files/2014-04/Paris_Convention_0.pdf)

<sup>3</sup> Mongolia joined the convention in 1985

Collective marks are commonly used to boost regional products and services and have the advantage of increased revenue resulting from co-marketing and streamlining procurement and sales. A region's culture and population are the basis of a collective mark. The mark can be an easily recognizable symbol or word or a unifying philosophy of its members. When utilized effectively, collective marks are practical tools to help members with their business development needs through better product differentiation, low-cost marketing, and improving product and production standards.

### **1.4.2 Leveraging Collective and Certification Marks for Manufacturing Clusters and Women-Led Enterprises**

A cluster is a broad association of companies operating in the same sector with products fulfilling the market segments' demands. Their members may not even be direct competitors. Countries, especially rapidly developing ones such as China and India, commonly offer government support to cluster brands to develop small and medium entities. The practice of establishing cluster brands for rapidly developing sectors such as technology, fashion, design, medicine, and biotechnology to support them is widespread.

It is clear from global experience that decreasing production costs affects market competition considerably. As such, clusters benefit small and medium enterprises by offsetting costly operations such as expanding sales channels. Clusters can resolve many challenges that businesses may not have otherwise been able to overcome individually and increase their competitiveness in foreign markets. Small and medium enterprise clusters generally conduct the following operations:

- Streamlining the purchasing process
- Marketing via collective marks
- Cooperating in foreign markets
- Jointly participating in exhibitions, expos, etc.
- Managing sales together (selling via major retailers with high minimum orders, establishing wholesale chains, logistics, etc.)
- Optimizing production, managing finances, legal support, etc.

#### **Choosing the correct mark for target business groups**

When establishing collective and certification marks on a cluster and woman-led business level, it is necessary to consider the marks' features, scope, and business models.

- ❖ *A collective mark means a trademark used under the associated control by members of manufacturers and service providers' associations or societies and established per the country's legislation.*
- ❖ *A certification mark is a name, sign, or image used to show consumers that the goods, services, or providers have met specific standards.*

Differences between collective and certification marks are as follows:

*Table 1*

Collective mark	Certification mark
<ul style="list-style-type: none"> <li>• Highlights the regional, production, or technological features of the product by the collective members and helps market them</li> <li>• Facilitates the implementation of standards and criteria</li> <li>• Members of the group, association, or cooperative may use it</li> <li>• The regional producer’s association owns it</li> <li>• Logo, image, or regional name may be registered as an IP</li> </ul>	<ul style="list-style-type: none"> <li>• Aimed towards the specific target market, product and services, and customers</li> <li>• Certifies a standard and criteria</li> <li>• Accessible to the public, meaning anyone who meets the criteria may use it</li> <li>• A logo or image may be registered as an IP</li> <li>• An independent organization owns, certifies, and authorizes use</li> </ul>

Based on these characteristics, the collective mark is most effective for production clusters, while the certification mark is more appropriate for women-led businesses.

The strategic deployment of collective and certification marks can elevate domestic businesses’ competitiveness, paving the way for Mongolia’s sustained development. Recent trends indicate that enterprises are actively forming clusters and making collaborative efforts to establish and nurture these marks. One notable example is their concerted efforts to establish and nurture collective and certification marks. These endeavors yield many positive outcomes, including stabilizing SME operations, expanding market shares, job creation and preservation, reducing operational costs, and augmenting sales revenue. Moreover, this collaborative approach can enhance productivity and spur innovation within the sector, decrease the dominance of more powerful entities in the medium and long term, and counteract stagflation by boosting tax revenue and diversifying the economy.

## Collective Mark Implementation for Clusters and Women-Led Businesses in Mongolia: Impact and Outcomes

Defining the Cluster's Purpose: Outlining the overarching objective to set collaborative direction. To harness the full potential of collective marks in Mongolia, it is essential to define various aspects of cluster formation clearly. This includes identifying the cluster's purpose, its member composition, the scope of its activities, organizational structure, governing rules and regulations, intellectual property considerations, and standards. Intellectual property registration is an initial step in cluster formation, as Mongolia lacks specific legislation on clusters. In light of this, IP registration can be pursued through sector associations or the cluster organization itself, keeping in mind the importance of risk mitigation.

However, this endeavor poses potential risks due to the lack of a well-established legal framework, challenges in setting up a coherent financing scheme, and the need for robust intellectual property protection. Addressing these risks is crucial to unlocking the full potential of collective marks and cluster development.

### 1.5.1 Implementing Collective Marks

Collective marks are practical tools for companies seeking to advance their sectors by establishing clusters, co-brands, and standardized practices. However, a clear roadmap is essential, one that encompasses vital elements:

- **Defining the Cluster's Purpose:** The first step involves outlining the cluster's overarching objective, setting the direction for collaborative efforts.
- **Cluster Membership:** Identifying and enrolling members who align with the cluster's vision and goals, fostering a cohesive community of enterprises.
- **Scope of the Cluster:** Clearly defining the range and boundaries of the cluster's activities to avoid ambiguity.
- **Organizational Structure:** Establishing a well-structured organization with defined roles and responsibilities to ensure efficient operations.
- **Rules and Regulations:** Formulating and enforcing cluster-specific rules and regulations to maintain order and consistency.
- **Intellectual Property:** Prioritizing intellectual property registration and protection is a crucial asset in cluster development.
- **Quality Standards:** Setting rigorous standards to uphold the quality and reputation of the collective mark.
- **Establishment and Growth of the Collective Mark:** Strategically nurturing and expanding the collective mark to enhance its recognition and impact.

- Applications and Regulations: Ensuring compliance with collective mark applications and regulations to maintain integrity.

In Mongolia’s context, where specific legislation on clusters may be lacking, intellectual property registration can be pursued through sector associations or the organization itself. However, this should be done with a keen focus on risk mitigation. Organizations should consider the following risks associated with cluster establishment:

- Legal Environment: The absence of a suitable legal framework poses a significant hurdle, creating uncertainty on cluster initiatives due to the lack of financial mechanisms and often confining them to voluntary cooperatives.
- Financing Structure: The cornerstone of cluster development, a stable financing system, remains elusive, forcing businesses to seek fragmented, independent financing sources that can impact the entire network’s stability.
- Intellectual Property Protection: Safeguarding intellectual property linked to the collective mark is paramount, as the development, marketing, and branding processes carry the risk of unauthorized use by external entities, necessitating proactive protection measures.

In navigating these challenges, collective marks serve not just as tools for sector development but also as catalysts for overcoming obstacles and driving growth in Mongolian business clusters.

### *Illustration 1 Establishing and developing collective marks*

#### **1. Purpose and goals of the cluster**

Establish and implement the members’ united goals and purposes.



#### **2. Cluster members**

It is necessary to define the members, their rights and obligations, and the extent of participation of the cluster members and establish a mechanism to implement these.

Common examples of members are:

- Enterprises
- Financial organizations
- Research organizations
- Government or state organizations
- Training
- Marketing organizations

Depending on the type of cluster, some of the above mentioned can be omitted, and others may be added, which is why it is crucial to clearly define the goals and purposes of the cluster.



#### **3. Cluster organization**

A cluster is composed of independent subjects cooperating towards a common purpose. As such it is necessary to clearly organize and structure the cluster with clearly defined roles. Especially the entity responsible for establishing, regulating, and branding the collective mark should be clearly defined, and have clear rights and obligations



#### 4. Cluster rules and regulations

The rules and regulations of a cluster are the most important strategic object in coordinating and developing the collective mark on a cluster level. It enables the collective mark to maintain its value and implement a united marketing strategy by regulating how members use the collective mark for their products and services.



#### 5. Standards and requirements

Establishing a collective mark and its standards and requirements is inseparable from the cluster's features and strategy. Whether a brand is created or not depends on various features of the cluster such as area of operation, strategy, and membership. For example, honey manufacturers could establish a "Mongolian organic honey" collective mark and brand it internationally by defining what organic honey is and its technical specifications and then allowing products that meet the criteria to use the mark.



#### 6. Establishing and developing a collective

The cluster members need to define their brand and criteria based on the cluster's strategy and concept. For example:

- Purpose and features of the collective mark
- Standards
- Scope
- Branding



#### 7. Intellectual property

The collective mark needs to be registered with the Intellectual Property Organization to protect the IP. The mark owner, logo (design and symbol), definition (content), type (trademark, collective mark, certification mark) needs to be clearly defined with established rules and regulations of usage. This process is to be done with the Intellectual Property Office of Mongolia, and with the World Intellectual Property Organization if need be.



#### 8. Application of the collective mark

It is important to establish the collective mark's rules and regulations and usage that serves its members' common interests as the mark's development is intertwined with multiple business' property, scope, and branding. It is also important to create a product and packaging that considers the strategies and interests of the cluster members. For example, the honey produced by company "A", its logo, address etc, should be controlled by the cluster's strategy.



#### 9. Collective mark regulations

The use of the collective mark's brand logo, its certification, and whether there are any intellectual property infringements should be regulated by the cluster.

## Empowering Women-Led Businesses through International Agreements and Certification Marks

An international agreement is a legally binding document resulting from seminars and negotiations conducted outside the ISO framework, signed by all relevant parties interested in participation. This document undergoes a triennial review process and is accessible to the public. Essentially, it represents a precursor to an international standard characterized as a mutual agreement governed by internal rules and regulations rather than an ISO special committee.

The Swedish Institute for Standards and the International Trade Center developed the definition of 'women-owned businesses' and formalized it through an official agreement known as the International Workshop Agreement ISO IWA 34:2021, recognized by the International Standards Organization.<sup>4</sup> This agreement aims to alleviate the challenges faced by women-led businesses when making purchases in both government and private sectors by expanding their access to empowerment programs, incentives, and certifications.

This agreement establishes standardized definitions pertinent to women's entrepreneurship, including those for women-owned and women-led businesses, cooperatives, and informal enterprises. These definitions are intended for applications such as women's economic empowerment initiatives, including procurement and trade programs, and for collecting internationally comparable data on women's entrepreneurship.

Definitions from the agreement:

- **Women-owned business**

A business (3.10) in which more than 50% ownership rests with one or more women, where women hold the management (3.5) and control (3.7), and where a woman serves as a signatory for the business's legal documents and financial accounts. This business operates independently from entities not owned by women.

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<sup>4</sup> ISO - IWA 34:2021 - Women's entrepreneurship — Key definitions and general criteria  
<https://www.iso.org/standard/79585.html>

- **Women-led business**

A business (3.10) with a minimum ownership of 25% by one or more women, where women are in charge of management (3.5) and control (3.7), with at least one-third of the board of directors, where applicable, comprising women. A woman also serves as a signatory for the business's legal documents and financial accounts. This business operates independently from entities not led or owned by women.

- **Women-led cooperative**

A cooperative (3.11) where women hold over 50% of the total voting rights, with the majority of the board of directors and leadership positions, if applicable, held by women.

Establishing and promoting a certification mark that aligns with the criteria outlined above would be a prudent course of action. A certification mark is a valuable tool for distinguishing products or services endorsed by its proprietor, signifying assurance in areas such as materials, manufacturing processes, quality, precision, and other distinguishing characteristics.<sup>5</sup>

### **1.6.1 Implementation of Certification Marks**

Establishing a certification mark depends on the developers' organizational, marketing, and standard development abilities and does not necessitate much outside interference. It mainly differs from collective marks by making it possible for a single party to develop and define its scope and standards instead of a collective.

The establishment of a women-led business certification mark has the following four stages:

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<sup>5</sup> Law on Trademarks and Geographical Indications 3.1.3

Illustration 2 Establishing and developing certification marks



## 1.7

# Member Contributions, Rights, Obligations, and Participation Model in the Adoption of Collective and Certification Marks for Clusters and Women-Led Businesses

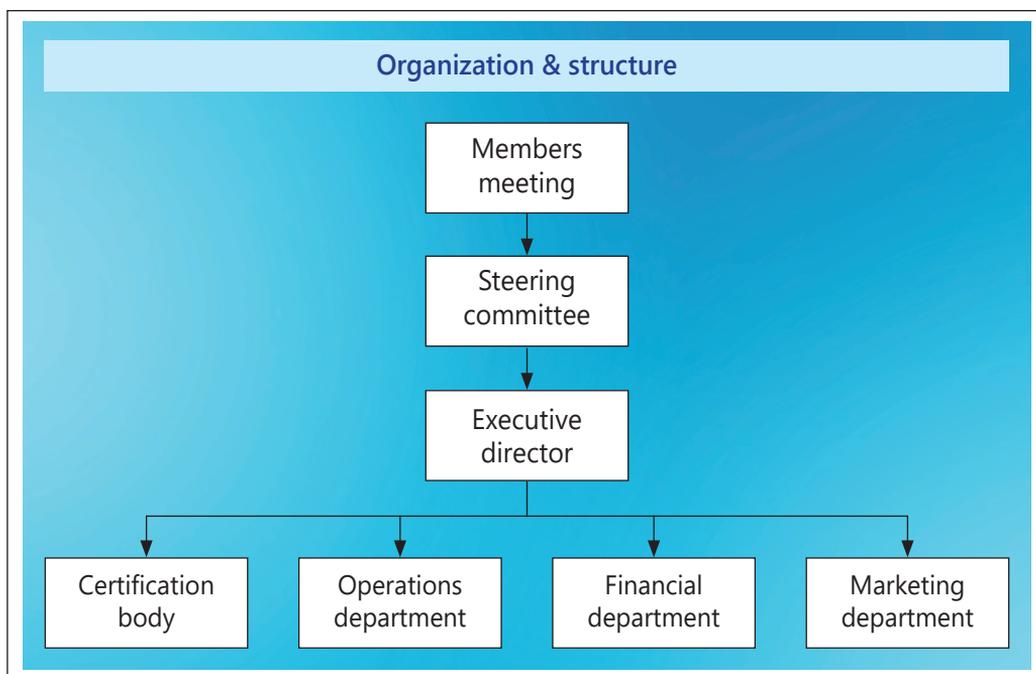
When establishing collective and certification marks, it is important to carefully coordinate members' rights, obligations, and active participation.

The models presented below, for both collective and certification marks, offer a blueprint for clusters, cooperatives, associations, and women-owned businesses to harness the power of collective branding. This framework ensures the mark's integrity, quality, and effectiveness in the market. These models should be adapted based on the organization's unique characteristics, including operational scope, member composition, and roles.

### 1.7.1 Rights, Obligations, and Participation Model of Collective Mark Members

Below is an ideal organizational model for implementing the collective mark:

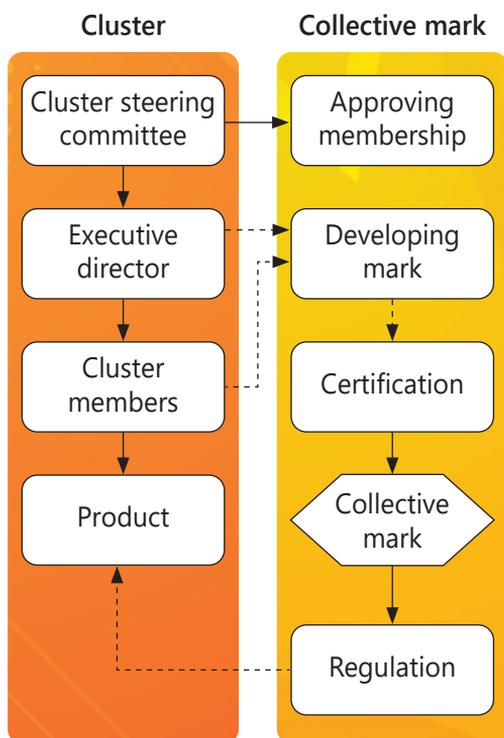
*Illustration 3 Optimal organization model for collective marks*



• **Members Meeting**

Member meetings play a pivotal role in shaping the cluster’s mission, establishing the rights and responsibilities of members, and appointing the steering committee.

*Illustration 4 Collective mark certification process* • **Steering committee**



This committee holds the authority to determine the elements within the collective mark and can include cluster members or external entities responsible for executing decisions.

• **Executive director**

The executive director is in charge of establishing and developing the collective mark.

• **Cluster members**

Members are vested with responsibilities for establishing, developing, and formulating rules and regulations governing the collective mark. They are also accountable for applying the mark to their products, ensuring adherence to its standards.

• **Certification body**

This department oversees the creation of the mark’s criteria and the rules and regulations regarding membership certification. Ideally, it would be a third party working independently from the cluster. While the collective mark membership is easy to obtain in some cases, it can also be complicated if the cluster has a high brand value and standards, requiring a team of independent experts.

*Table 2 Rights and obligations of collective mark participants*

Parties	Rights and obligations
Steering Committee	<ul style="list-style-type: none"> <li>• Establishing and certifying the collective mark</li> <li>• Defining the purpose and strategy of the mark</li> </ul>
Executive Director	<ul style="list-style-type: none"> <li>• Developing and certifying the collective mark</li> <li>• Overseeing the certification process</li> <li>• Final decisions on certifications</li> </ul>

Certification Body	<ul style="list-style-type: none"> <li>• Determining whether an applicant meets the criteria</li> <li>• Establishing the rules and regulations of certification</li> <li>• Organizing workshops</li> </ul>
Cluster Members	<ul style="list-style-type: none"> <li>• Following the rules and regulations of the cluster and collective mark's applications</li> <li>• Maintaining the operations and product standards</li> <li>• Maintaining the collective mark's reputation</li> </ul>
Non-Member Committees	<ul style="list-style-type: none"> <li>• Various committees, such as ethics committees and complaints departments, can be established and are obliged to follow the rules and regulations</li> </ul>

## 1.7.2 Rights, Obligations, and Participation Model of Certification Mark Members

Enterprises frequently employ certification marks to increase the value of their products and services by establishing and certifying quality standards, thus providing customers with quality assurance and increasing satisfaction.

### Implementation stages



## Participants Map

Establishing and applying certification marks are voluntary and depend on the business owner’s business goals and scope of operation. The following is a participation map for creating and implementing a certification mark for women-led businesses.

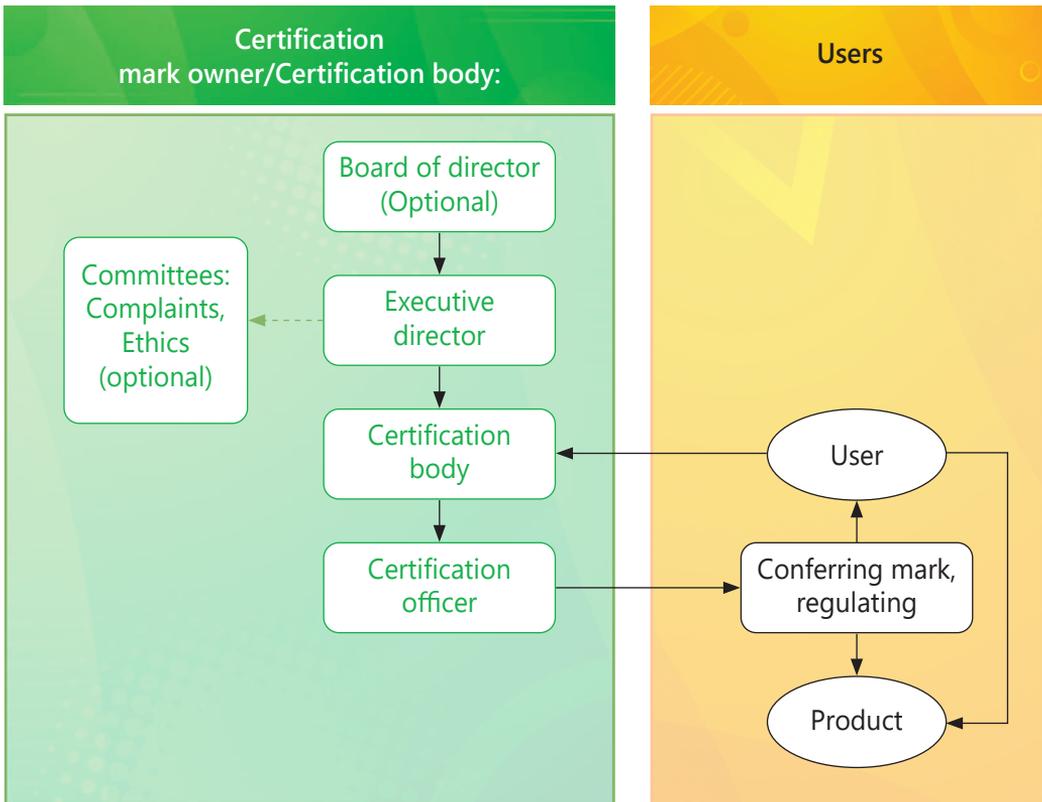
*Table 3 Participation map for certification marks*

	Activities	Participants	Description
Defining	Determining the demand	Market research organization <i>(Will research market trends, consumer research, demand, etc. For example: MMCG, IRIM, EPCRC)</i>	❖ Determining present difficulties
		Conformity assessment body <i>(Will develop a certification scheme suitable for consumers based on market research. For example: Moncerco LLC, MASM)</i>	<ul style="list-style-type: none"> <li>❖ Surveying the parties developing the standards, rules, and regulations</li> <li>❖ Establishing a conformity assessment system</li> <li>❖ Certification and cancellation of mark use</li> </ul>
Implementing	Establishing the mark and its rules and regulations, conferring the mark	Professional associations <i>(Professional associations and NGOs aimed at protecting and supporting women business owners)</i>	<ul style="list-style-type: none"> <li>❖ Participating in the establishment of standards, rules, and regulations</li> <li>❖ Consulting on operations</li> <li>❖ Connecting with potential supporters</li> </ul>
		Projects and programmes <i>(International organizations aimed at supporting, training, and protecting the rights of women business owners and programs to provide business or financial support to certification mark users)</i>	<ul style="list-style-type: none"> <li>❖ Organizing workshops and training programs</li> <li>❖ Offering input on standards, rules, and regulations</li> <li>❖ Connecting potential supporters</li> </ul>
		Other	❖ Connecting potential supporters
		Women business owners <i>(Certification mark users will use the mark to distinguish and market their products)</i>	❖ Using the mark per regulations
	Mark application	Supporting Subjects and Partners <i>(For example, financial or business entities supporting women-led businesses or participating in programs operating contractually with the purpose of activation and marketing)</i>	<ul style="list-style-type: none"> <li>❖ Using the mark per regulations towards marketing it</li> <li>❖ Helping and supporting certification mark users</li> </ul>

Supporting	Supporting activities	Projects and programs	<ul style="list-style-type: none"> <li>❖ Using the mark per regulations towards marketing it</li> <li>❖ Helping and supporting certification mark users</li> </ul>
		Bank & financial institutions <i>(For example, coordinating with Golomt Bank's loans and financial packages for women-led businesses)</i>	<ul style="list-style-type: none"> <li>❖ Offering optimal financial models</li> <li>❖ Using the mark per regulations towards marketing it</li> <li>❖ Helping and supporting certification mark users</li> </ul>
		Other <i>(Parties wishing to support and work together)</i>	<ul style="list-style-type: none"> <li>❖ Using the mark per regulations towards marketing it</li> <li>❖ Helping and supporting certification mark users</li> </ul>

Below is an ideal model for the application of certification marks tailored for women-owned businesses:

*Illustration 5 Certification mark certification process*



**Users:**

Any legal entity operating within the mark’s scope is eligible to apply for it and must adhere to the guidelines, ensuring that its products and services meet the mark’s specified criteria.

**Certification Mark Owner/Certification Body:**

The mark owner or a third party is responsible for establishing the mark’s scope to include women-led businesses, creating the certification process, and authorizing and regulating it. It is also suitable to clearly define a “woman-led business,” eligible businesses, and the branding strategy and make the information accessible to the public.

*Table 4 Rights and Obligations of Certification Mark Participants*

	Main responsibilities
Executive Director	<ul style="list-style-type: none"> <li>• Creating and authorizing the establishment and development process of the mark</li> <li>• Overseeing the certification process</li> <li>• Final decision on certification and cancelation</li> <li>• Establishing the certification system</li> <li>• Approving the purpose and strategy of the mark</li> </ul>
Certification Body	<ul style="list-style-type: none"> <li>• Determining whether an applicant meets the criteria</li> <li>• Establishing certification rules and regulations</li> <li>• Organizing workshops</li> <li>• Supervising appropriate use of the mark</li> </ul>
Certification Officer	<ul style="list-style-type: none"> <li>• Establishing the length of the trial and certification periods</li> <li>• Certification assessments</li> </ul>
Non-Member Committees (optional)	<ul style="list-style-type: none"> <li>• Receiving and resolving complaints and appeals</li> <li>• Resolving employees’ ethics dilemmas</li> </ul>
Users	<ul style="list-style-type: none"> <li>• Following the rules and regulations of the certification mark</li> <li>• Maintaining the standards set by the mark</li> <li>• Maintaining the mark’s reputation</li> </ul>

## Collective Mark Branding Insights Based on Geographic Features and Supply Chain Costs

For years, agricultural products have been distinguished through geographical branding, often applied to products whose quality is closely tied to their region of origin. A prime illustration of this lies in the world of cheese, where the quality of products like English Lancashire cheese or Italian Parmigiano-Reggiano is intrinsically linked to their place of production. In the Mongolian context, the principles of geographical branding can be harnessed to highlight the unique qualities of products such as Mongolian yak cheese, thus emphasizing the distinct regional characteristics that contribute to their quality. By adopting collective and certification mark models, Mongolian producers can establish a framework that safeguards the reputation of these regionally distinctive products while fostering cooperation among local stakeholders to ensure adherence to strict quality standards.

### Examples of Geographical Branding

In an effort to protect the interests of both regional producers and consumers, the European Union has established three critical schemes for geographical product registration:



**1. Protected designation of origin (PDO):**<sup>6</sup> This scheme exclusively applies to products produced using traditional methods. For instance, Champagne is a sparkling wine crafted solely in the Champagne region of France, subject to stringent grape farming and production techniques. Similarly, it is conceivable to register geographically specific products, such as seabuckthorn from Uvs aimag in Mongolia.



**2. Protected geographical indication (PGI):** PGI mandates that at least one processing step of the product occur within the designated region, for example, in Estonia, where the Protected Geographical Indication for alcohol was secured in 2008, ensuring that all raw materials, including spirits and water, originate from Estonia. This stringent criterion also requires the use of soft drinking water and restricts the

<sup>6</sup> Geographical indications and quality schemes explained (europa.eu)

use of organic products to Estonian wheat or potatoes. Similarly, Mongolian airag from Bulgan could be branded under the PGI scheme, contingent upon verifying its distinctive attributes and adhering to specified technological standards.



### **3. Traditional specialty guaranteed-TSG:<sup>7</sup>**

Traditional Specialty Guaranteed (TSG):\*\* TSG is not related to the production location and exclusively focuses on preserving traditional production methods. A case in point is kabanos, the smoked pork sausages from Poland, known for their unique length and diameter. The traditional method of crafting kabanos is protected under TSG. In Mongolia, products like airag and khorkhog could be candidates for TSG branding, preserving, and promoting their traditional production techniques.

These schemes were devised to diversify agricultural products, highlight their unique characteristics, and safeguard their identities from illegal use. The inclusion of regional designations in product registrations offers several advantages, including protection against fraudulent use within the EU, enhanced brand recognition both locally and in the EU, increased consumer demand, and elevated product pricing. Research in the EU has shown that consumers are willing to pay up to 18% more for geographically registered products. Products registered under the PDO and PGI schemes must provide comprehensive information, including terminology, product properties, regional details, proof of origin, and production methods.

Producers are the sole entities authorized to apply for product registration. In cases involving multiple geographical regions, associations of those regions must jointly apply. Notably, these collective marks play a pivotal role in marketing, with surveys indicating that the PGI mark is synonymous with quality and fosters trust among all parties involved in the sales process.

The TSG mark, on the other hand, champions food products made through generations-old traditional methods, regardless of their geographic origin, while providing consumers with valuable insights into product uniqueness. TSG applications require the inclusion of criteria such as the need for multi-language protection of the product name, product properties, production methods, and the qualities that define its traditional production. It is important to note that the TSG scheme, while preserving traditional methods, does not guarantee intellectual property protection, as evidenced by cases like traditional Mozzarella cheese and Dutch Boerenkaas cheese, which enjoy IP protection solely within the Netherlands.

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<sup>7</sup> Geographical indications and quality schemes explained (europa.eu)

### 1.9.1 Conclusions

Women-led businesses, particularly micro and small enterprises, face a range of challenges in today's business landscape, ranging from access to financing to limited sales channels and marketing expertise. These challenges demand collaborative solutions to foster stability and growth. Collective and certification marks emerge as powerful tools that can elevate these businesses by enhancing their recognition, improving product quality, and streamlining operations.

Collective marks, jointly owned by businesses, associations, or clusters, strengthen brand recognition and cohesion within a specific group of enterprises. On the other hand, certification marks guarantee product or service quality and adherence to established standards. Understanding the differences between these marks is crucial for their effective implementation.

In the context of Mongolia, establishing collective and certification marks tailored to the unique characteristics of women-led businesses can potentially boost their competitiveness and contribute to the country's economic diversification. Collaborative branding through these marks can reduce operational costs, increase sales revenue, and promote innovation within clusters.

Furthermore, the international community has recognized the importance of supporting women-led businesses, as evidenced by the International Workshop Agreement ISO IWA 34:2021, which sets standardized definitions and criteria for women-owned and women-led businesses. Leveraging this agreement, women-led businesses can explore the establishment of certification marks that align with these criteria to gain recognition and access empowerment programs and incentives.

However, it is essential to acknowledge the challenges and risks associated with establishing collective and certification marks, including the legal environment, financing structure, and intellectual property protection. Careful planning and coordination among members are essential to mitigate these risks effectively.

Ultimately, the implementation of collective and certification marks offers women-led businesses an opportunity to enhance their competitiveness, access new markets, and contribute to Mongolia's sustainable development. These marks serve as not only branding tools but also catalysts for overcoming obstacles and fostering growth within business clusters.

## 1.9.2 Recommendations

1. **Government Support:** Challenges faced by women-led micro and small enterprises encompass access to finance, limited sales channels, and marketing expertise in the current business landscape. These measures can foster growth and resilience among women-led businesses.
2. **Legal Framework:** Develop a suitable legal framework to facilitate cluster development, providing clarity and stability for cluster initiatives. Legal regulations should encompass financing mechanisms, intellectual property protection, and adherence to standards.
3. **Financial Mechanisms:** Establish a stable financing system to support cluster development, enabling businesses to access funding for collaborative projects and initiatives. This financing structure should be designed to ensure the stability of the entire cluster network.
4. **Intellectual Property Protection:** Strengthen intellectual property protection for collective and certification marks. Clear regulations should define the scope of protection, consequences for misuse, and avenues for enforcement.
5. **Standardization:** Standardize definitions and criteria for women-owned and women-led businesses based on the International Workshop Agreement ISO IWA 34:2021. This standardization can form the basis for certification marks aligned with women-led business criteria.
6. **Cluster Formation:** Encourage women-led businesses to form clusters based on geographical or sectoral affiliations. These clusters can then explore the establishment of collective marks to enhance recognition and promote cooperation.
7. **Quality Standards:** Define rigorous quality standards for products or services associated with collective and certification marks. Ensuring adherence to these standards is essential for maintaining the reputation and effectiveness of the marks.
8. **Educational Programs:** Offer educational programs and training to women-led businesses on the benefits and processes of establishing collective and certification marks. Awareness and knowledge-building are critical for successful implementation.

By following these recommendations and fostering a collaborative environment, Mongolia can empower women-led businesses, enhance their competitiveness, and contribute to the country's economic development and diversification. Collective and certification marks have the potential to play a pivotal role in achieving these goals.