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BRAND PROTECTION PERSPECTIVES

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Tämän laadullisen tutkimuksen päätarkoitus on tutkia ja ymmärtää rajat brändien suojeleohjelmassa arvioimalla väärentämisen aiheuttamat suorat ja epäsuorat riskit sekä löytämään keinot riskien käsittelyyn. 12 20:stä brändien suojelejohtajista (Brand Protection Manager), asiantuntijoista ja markkinoinnin professoreista vastasi anonymisti internetissä julkaistuun kyselyyn. Tämän tutkimuksen aikana, kuvio riskinkantokyvyntasosta tunnistettiin näytteessä. Empiiriset tulokset viittaavat siihen, että tämä kuvio vaikuttaa osallistujien riskikäsitteeseen ja asenteeseen väärentämistä kohtaan ja viittaa siihen, että riskien hoidon vaiheessa, tämä kuvio myös vaikuttaa päätöksentekoon sekä valittavaan vastatoimeen. Tulokset myös osoittavat, että brändipääoma ja -maine ovat verrattuna muiden merkkimuuttujiin väärennösalttiimpia. Lisäksi tulokset olivat ristiriitaisia, kun yritettiin selvittää pitäisikö yritysten käyttää julkisia ilmoituksia joissa kerrotaan väärennöksen pysähdyksestä brändien suojelelyökaluna. Yritykset epäilivät enemmän tätä ratkaisua kuin markkinointi professorit. Siten lisätutkimusta aiheesta suositellaan. Tutkimuksessa todetaan, että niin kauan kuin väärentämisen vaikutusta ei voida mitata oikein, tuotemerkkien ja yritysten sekä heidän maineensa todellista vahinko ei voida määrittellä.

ABSTRACT

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The main focus of this qualitative study is to explore and understand the boundaries of a brand protection program by assessing risks caused directly or indirectly by counterfeiting and finding remedies for treating those risks. 12 of 20 brand protection managers, anti-counterfeiting experts and marketing professors completed anonymously an internet-mediated questionnaire. During this study, a pattern of risk tolerance level within the sample was identified. The empirical results suggest that this pattern influences participants' risk perception of and attitude towards counterfeiting; these also imply that, in risk treatment, this pattern influences decision-making as well as selection of countermeasures. Further, the results propose that brand equity and reputation are compared to other brand variables more vulnerable to the impact of counterfeiting. In addition, the results obtained in the question whether companies should employ public announcements of counterfeit seizures as an additional brand protection tool were contradictory. Companies were more apprehensive towards this solution than marketing professors. Thus, further investigation on this subject is recommended. This study concludes that as long as the impact of counterfeiting cannot be measured properly, the true damage on a brand or company and their reputation cannot be determined.

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I am sitting at my summer cottage on an island in Rantasalmi while I am writing up my last words on this thesis. It makes me reflect on this experience-rich journey that I most likely would not have made without the strong support from my professors, family, friends and colleagues.

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1 INTRODUCTION

This chapter introduces the reader to the background of this study and its significance which altogether form this study's research problem, objectives and methods. Subsequently, an examination of prior research reflects the current knowledge of the chosen topic. The last part, structure of the study, provides an insight on the content in the forthcoming chapters.

1.1 Background

In February 2013, US Immigration and Customs Enforcement have seized thousands of counterfeit toys from China featuring popular brands and children's characters like Winnie the Pooh, Dora the Explorer, SpongeBob SquarePants, Betty Boop, Teenage Mutant Ninja Turtles, Power Rangers, Spiderman, Tweety, Mickey Mouse and Pokemon. Seventeen out of 33 seized containers contained counterfeit, hazardous toys with excessive lead content and phthalate levels, small parts that presented choking, aspiration or ingestion hazards, and easily accessible battery compartments. (Justice News 2013; Sgueglia 2013; Tenenbaum 2013) Children exposed to excessive chemical levels are at risk of experiencing malfunction of specific organs, possibly coma or even death. (Becker et al. 2010; Justice News 2013) In consequence, five people and five New York-based companies have been charged in an indictment for importing and selling toys that posed significant health hazards to children and were in violation of the U.S. Consumer Product Safety Act, and were the product of intellectual property theft. (Justice News 2013; Sgueglia 2013; Tenenbaum 2013)

"For years, the defendants sought to enrich themselves by importing and selling dangerous and counterfeit children's toys without regard for the law or the health of our children," said U.S. Attorney Lynch (Justice News 2013). "Profits from the counterfeit items, as well as toys riddled with lead and choking hazards, went to provide the defendants with luxury cars. We stand committed to protecting the residents of our communities from those who would engage in such conduct." (Justice News 2013).

This case made national news in the U.S. and illustrates only one of many other cases initiated by the Department of Justice Task Force on Intellectual Property (IP Task Force). (Justice News 2013; Sgueglia 2013; Tenenbaum 2013)

Similar cases like the one above can be found anywhere in the world, even close to home. However, counterfeiting is not a new phenomenon. It has existed for at least 2,000 years (Chaudhry 2009, p.7). However, counterfeit industry is changing. By moving operation from underground to the Internet platform, counterfeiters can work anonymously and faster in a borderless business environment without existing jurisdictions or laws (Haddad 2012), they can develop their business with constantly new technical features, and use the environment as well as consumer's demand to their competitive advantage. Along with the sophistication of technology, globalisation and social media, fakes can be distributed across the world with ease and higher speed. In addition, many countries such as China cannot keep up with putting legal systems into place. In consequence, the supply of counterfeits has been increasing drastically worldwide, and the battle of legitimate manufacturers and government against counterfeiters is a continuous process (Penz 2005).

Counterfeiting is a growing risk for many industries, companies and their brands. According to World Customs Organization (2013, p. 62), in the year 2013 alone, in 69 countries about three billion (3,044,750,738 to be exact) pieces of goods that are infringing intellectual property rights or do not meet national standards were seized, and this is only a tip of the iceberg. Therefore, each company should possess a robust and effective brand protection programme in order to protect and secure the lifetime of its intangible assets.

1.2 What is the Purpose of Brand Protection?

Brands are the most valuable assets of a company, and brand equity is usually the outcome of years of financial and human investments. Still brands are threatened by global counterfeiting whereby imitations are sold to shallow consumers as originals (Green et al. 2002). Due to its intangible attribute, the protection of brands seems to have been dismissed or forgotten by managers. However, the **signifi-**

cance of brand protection increases with the growth of brand exposure and interacts within various company divisions. Thus, tangible assets have little value without a brand, as it would be difficult for companies to sell their products, and vice versa (Kapferer 2008, p. 10; Green et al. 2002). In other words, companies depend on their brand (Abrahams 2002, p.41).

As soon as a brand is affected by a negative event, it will most likely be negatively affected or even damaged unless the incident is handled with care. For instance, if a brand faces the risk of being counterfeited, it will be legally under the threat of unauthorised use or misuse by a third party; consequently, this may lead to potential damages of the brand/company reputation. The brand may even lose its strategic role of creating competitive advantage and in its brand value.

The strategic role of brands is to create competitive advantage in the market while the financial role is to retain brand value. These expectations can be fulfilled by creating and ensuring a positive brand / company reputation. (Abrahams 2002, p. 41) Therefore, **brand protection** is a vital part of nowadays business strategy, especially with the increase of various risks due to globalisation and technology development, and its purpose to provide companies with a competitive advantage on market places.

1.3 Research Problem and Objectives

Counterfeiting is a general threat for any company that is brand-orientated and its competitive advantage depends on its brand's success, because the impact on a brand and company's reputation appears to be most likely damaging. However, some of the companies do not know nor possess a brand protection programme, especially start-up companies. If they do, risk management and brand protection programmes are usually created separately by different entities. By understanding how counterfeiting impacts a company's activities, it may be possible to discover a feasible solution for creating and maintaining a competitive advantage in market places, especially for brand-orientated companies.

The first thing to explore is managerial perceptions related to counterfeiting. Once these opinions are known, we can recognize the status quo and start planning for actions ensuring the protection of brands and companies. The examination of perceptions will be conducted on three layers: (1) risk management, (2) brand level, and (3) company level perspective. Following research questions serve the aim of this thesis:

Table 1. Research questions of this study

Q	What are the risks and tools associated with a brand protection programme, and how they prevail specifically in the case of counterfeiting?
q1	<i>What are the boundaries of a brand protection programme/how to define brand protection programme?</i>
q2	<i>What are the risks related to brand protection?</i>
q3	<i>What tools can be used in brand protection?</i>

The first objective is to create a framework of a brand protection programme by understanding how sectors construe brand protection, especially with the focus on counterfeiting. Is counterfeiting truly a threat to the brand? Who is responsible for protecting the brand? Who should be involved in the programme? What are the objectives of a brand protection programme?

The second objective is to identify various risks that could impact a company's brand negatively. Nowadays, risks can occur off- and online as well as inside or outside a company. Thus, all type of risks should be identified and evaluated in order to avoid any major crisis. In addition, this study aims to gain an understanding on the counterfeiting as a threat to brands and companies. How does counterfeiting impact the brand? What is the likelihood and severity of counterfeiting affecting the brand? How significant are these risks? Why does counterfeiting affect the brand negatively? By assessing the causes and effects of counterfeiting and evaluating these occurrences, we could identify which part of the brand needs special attention and probably additional countermeasures before this risk event

turns into a crisis. Therefore, it is worthwhile to plan ahead, identify possible risk factors and assess which would be the best way to react as is done in risk management.

Since companies hardly publish information on customs seizures of counterfeit goods bearing their brand - which could prove to investors, consumers and other stakeholders that the company is interested in protecting its brand – this study also explores the option of using public statements on counterfeit seizures as a brand protection tool for warning counterfeiters of pursuing their counterfeit actions, because the infringed company will likely take countermeasures; and as an awareness campaign for consumers to look out for authentic goods and use the right channels in order to buy authentic goods. What is the sector's view on using public statements for such purposes?

1.4 Theoretical Framework

Each company is daily affected by internal and external factors that can impact the company positively, negatively or neutrally.

For instance, lack of resources and missing policies can indirectly enable counterfeiters to produce and sell fakes offline as well as online. Even a combination of both factors could cause greater risks. If the company is too slow to respond to changes of consumer preference or does not recognise this occurrence, consumers may switch over to another company that is capable of meeting their needs.

Some multi-national companies (MNCs) have an internal anti-counterfeiting unit, which is also known as brand protection unit (Chow 2010). Therefore, the term 'brand protection' could be confusing to some. In this study, brand protection is separated from anti-counterfeiting strategy. It is seen as a set of various strategies and tools for internal and external purposes that are implemented by an individual company. Its objective is to maintain competitive advantage, strengthen brand reputation (Diaz 2010; Hoecht et al. 2014) and assess risk events, formed by decisions made in brand management, that have a negative impact on the brand, re-

sult in loss of brand value and brand reputation. For instance, the legal department ensures internally that trade secrets do not flow outside the company by closing non-disclosure agreements with each employee, and externally by enforcing its intellectual property rights.

Brand protection also has a double role. Firstly, it helps to prevent the formation of possible risk events (proactive approach), and secondly, it intervenes in already occurring risk events (reactive approach). The effectiveness of a brand protection programme depends on choosing the right mix of tools and countermeasures for each situation, which affect the earnings logic of the company's business model and the achievement of company's objectives, separately and the severity and likelihood of risk events. In the brand protection programme, the company determines risks faced by a company when entering a new market and proactively act to mitigate those risks.

In order to differentiate between brand risk management and anti-counterfeiting strategy, the following could be assumed: Whereas brand risk management focuses on all risks that have an impact on the brand, anti-counterfeiting or brand protection programme focuses solely on risks relating to intellectual property rights infringements, e.g. interference in the production, distribution and sale of counterfeits. It appears that, in general, the objective of a brand protection programme is to mitigate and control counterfeiting from an operational aspect but unfortunately ignoring the brand risk perspective at the same time. However, since companies developed into a market-orientated entity and adopted a brand-as-a-concept approach (Riezebos 2003, p. 14), brands gained more in importance of being the link between the brand owner and the brand user (Riezebos 2003, p. 15). Therefore, in order to prevent brand damage, the identification of brand risks has increased in importance.

When assessing risks, it is essential to differentiate between cause and effect. Since effects can be causes and causes can be effects, this type of distinction can be quite obscuring. For instance, envisage three situations: 'loss in brand trust',

'loss in brand loyalty' and 'loss in brand value'. By giving a different role to each situation, three scenarios can be formed. (Abrahams 2008, p.121)

- A. Loss in brand trust causes loss in brand loyalty leading to loss in brand value.
- B. Loss in brand value causes loss in brand trust leading to loss in brand loyalty.
- C. Loss in brand loyalty causes loss in brand value leading to loss in brand trust.

Despite of the various perspectives, risk analysis should start with identifying the ultimate effect so that it can be successfully controlled (Abrahams 2008, p. 121). It is worthwhile noting that the word 'ultimate' has a double meaning: what happens at the end of the process, and the worst impact (Macillan Dictionary).

According to Riezebos (2003, p. 239), brand damage is "when the image and the added value of a brand are harmed and when the financial and strategic advantages of the brand dependent on the image and the added value are consequently diminished."

Brand damage is the outcome of a risk event, which always should be evaluated if the event is an incident or a crisis. Incidents are occurrences when intangible or tangible features of the brand are under discussion (Riezebos 2003, p. 239-40). A crisis is, on the other hand, formed when an incident attracts a lot of negative public attention, which harms daily business and/or raises questions about the company's current norms, values and operating procedures (Riezebos 2003, p. 244). It is important to prevent the transition from incident to a crisis (Riezebos 2003, p. 240). A crisis plan sets out actions, timing and methods needed for each incident and crisis (Riezebos 2003, p. 250).

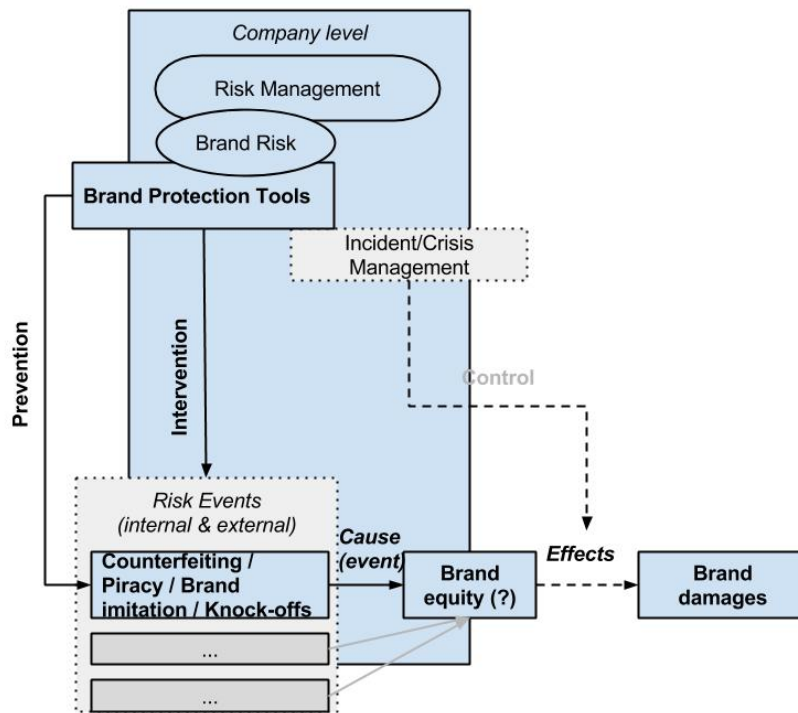


Figure 1. Theoretical framework of counterfeiting from a brand protection perspective

It seems to be obvious that counterfeiting has a negative impact on a company's sale, as the company loses out on sale and consumers buy fake stuff instead of the real thing (Berman 2008). However, does counterfeiting only impact companies from a financial point of view? Or could it also be that it impacts a company from a brand perspective? Could it dilute the brand, change brand image or impact its brand reputation negatively? In addition to the brand and financial aspect, how else could counterfeiting impact a company? And finally, how do sectors perceive counterfeiting to affect a brand?

1.5 Definitions

In this part, some of the definitions mentioned in the above theoretical framework are listed below for clarification and equal understanding purposes.

Brand

“A name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers. The legal term for brand is trademark. A brand may identify one item, a family of items, or all items of that seller. If used for the firm as a whole, the preferred term is trade name.” (AGMA Dictionary 2010) In marketing, trade name is often replaced by the words corporate brand or corporate reputation. It is also a set of perceptions and images that represent a company or brand. These are impacted negatively by various events such as product recalls despite of the company being at fault or not. Consumers mainly remember the name of the company but not the one of the company's suppliers. The character a company seeks to establish for itself in the mind of the public, reinforced by consistent use of logos, colours, typefaces and so on. A complex mix of characteristics, such as ethos, identity and image, that make up a company's public personality. Corporate reputation hinges on investor confidence, unlike brand reputation that is contingent on customer confidence and reflected in sales. (CIM 2011)

Brand reputation

is a general opinion that people have about a brand's particular quality and feature. It differs from corporate reputation. In general, consumers remember brand names but not the name of the company or supplier. This depends on brand architecture whereby the brand name differs from the company's one. In addition, brand is often assumed to be synonymous to reputation. However, from the risk management perspective, brand risk is a general term for various risk types whereas reputation risk is only a part of it. (Abrahams 2008, p. 20-21)

Intellectual Property Rights (IPRs)

According to the World Intellectual Property Organisation (2003, p. 2-3), IPRs refer to the “creations of the mind: inventions; literary and artistic works; symbols, names and images used in commerce.” These rights are the same as any other proprietary rights and are categorised into copyright and industrial property rights. The purpose of such protections is to enhance creativity and innovativeness, en-

courage investments into new creations and stimulate economic growth. (WIPO 2003, p. 2-3)

Counterfeiting

is “the practice of manufacturing goods, often of inferior quality, and selling them under a brand name without the brand owner’s authorization” (INTA 2015).

Risk

Risk is “the chance of something happening that will have an impact on objectives” (Standards Australia 2004, p. 4). It is also defined as an “event, a change in circumstances or a consequence” (ISO 31000, cited in Hopkin 2010, p.12) impacting business objectives positively, negatively, or deviatively from the expected (Standards Australia 2004, p. 2-5; ISO 31000, cited in Hopkin 2010, p.12). According to various risk management standards, risk is generally measured in terms of a combination of the consequence of an event and their likelihood (Standards Australia 2004, p. 2-5) Events and consequences can constitute opportunities for benefits or threats to success. Risks can be measured quantitatively as well as qualitatively (Garlick 2010, p. 21).

Brand risk

So what is the difference between brand and company risk? While brand risk influences consumer’s confidence and has an effect on a brand’s quality and feature, corporate risk influences investors’ confidence and has an impact on the company’s performance. In addition, brand value as an intangible asset can fluctuate depending on its strength, whereas capital equipment as tangible asset solely depreciates over time. (Abrahams 2008, p. 17)

Brand Protection Programme

It is a plan of strategic and operational activities for preventing anyone to illegally produce and sell a product that uses a brand name owned by another company (Cambridge Dictionary). The objective is to protect “brand value, trust, integrity and reputation” from eroding and damaging effects caused by “grey marketing, counterfeiting, cybersquatting, trademark, copyright and patent infringements.” (Anti-

Gray Market Alliance 2011-2012; Diaz 2010) A brand protection programme should also be aligned with a company's business objectives and have the aim to support and build competitive advantage of the company in the market place (Diaz 2010),

Tools (used in brand protection)

A tool is "something that you use in order to perform a job or achieve an aim" (Macmillan Dictionary). In context of brand protection, this means the implementation of legal, product authentication, training and other tools in order to achieve the objectives and principles set in the brand protection programme (Diaz 2010).

1.6 Research Methodology

This study is an inductive, exploratory and qualitative study. The instrument used to collect data is an author-created, self-administered and internet-mediated questionnaire; its validity and reliability was refined through pilot testing. A sample of 12 participants comprising of brand protection managers, anti-counterfeiting experts and marketing professors was selected through purposive sampling method.

Overall, company representatives were first contacted by email and phone before providing them with a web link to a password-protected questionnaire. Marketing professors, though, were only contacted by email including a different link to an equally structured and designed questionnaire. Data was compiled and analysed in Excel. For deeper analysis, the concept of brand risk model developed by David Abrahams (2010, p. 21-29) and qualitative risk matrix (Garlick 2007, p. 21-24) were used as a tool.

Chapter 3 will discuss the choice and implementation of this study's research methodology in more depth.

1.7 Delimitations

Since information on counterfeiting as a brand risk is hardly available and this topic is quite new, the reader should be aware that this study is exploratory and not conclusive. The aim is to explore the above research questions and alternative solutions to the counterfeiting issue instead of offering one final solution.

Theoretical delimitations

Due to the vast scope of brand protection issues, this study was delimited to counterfeiting of physical goods from a brand and risk management view instead of an operational view. It does not discuss other brand protection issues such as parallel import (also called 'gray marketing'), piracy, cybersquatting, and so forth. This study also excludes infringing products with digital content and services due to their intangible characters and different need of approach.

Methodological delimitations

This research topic requires participants to have work experience in brand protection or marketing in order to be able to respond to the questionnaire. Therefore, this study's research design was deliberately limited by using a nonprobability and purposive sampling.

1.8 Structure of the Study

This study begins with an introduction to the background of this study's research problem, and it continues with setting out research objectives, providing a theoretical framework for this study, explaining shortly methods and processes employed in this research, and presenting theoretical and methodological delimitations of this study. Chapter 2 is the theoretical part of the thesis and sets out the process of risk management, introduces to a brand risk model, explains brand protection from a brand risk management perspective, reviews some brand protection tools, and explores the scale and scope of counterfeiting as a risk. This is followed by the empirical part of the thesis, the third chapter, and describes the research methodology implemented for finding answers to this study's research questions (see

Chapter 1.3). Chapter 4 presents empirical statements and findings obtained in this study. The findings will provide an insight into the usage of brand protection in sectors and include an assessment of participants' risk tolerance level, a risk assessment of the impact of counterfeiting on a brand and company, and the possibility to use media as an additional brand protection tool. Each topic will conclude with a discussion. At last, this study ends with an overall conclusion about the results obtained in this research, provide an insight on its theoretical contribution, give some managerial recommendations, set out the limitations of this study, which is followed by some suggestions for further research.

2 THEORY DEVELOPMENT

The approach to risk management is based on the idea that risk is something that can be identified and controlled. (Hopkin 2010, p. 46)

2.1 Risk Management Process

There are numerous officially accepted risk management standards. The most acknowledged standard is the Australian Standard AS 4360:2004 that was replaced with ISO 31000 in 2009. Another well-recognised standard is the ERM version of the COSO standard. Companies choose one of the risk standards that fit best to their business model, risk appetite and tolerance and industry. In overall, all of those standards have a similar approach towards risk management. (Hopkin 2010, p. 53)

“Risk management is the culture, process and structures that are directed towards realising potential opportunities whilst managing adverse effects.” (Standards Australia 2004, p.4) Its activities are continuous and active, or proactive (Garlick 2007, p. 16).

Risk tolerance, or also called risk appetite, can be defined as ‘the amount and type of risk that an organisation is willing to take in order to meet their strategic objectives. Organisations will have different risk tolerance levels depending on their industry, culture and objectives, which may change over time. (Hopkin 2010, p. 248)

Despite of various jargons, the basic steps of a risk management process are illustrated Figure 2 below.

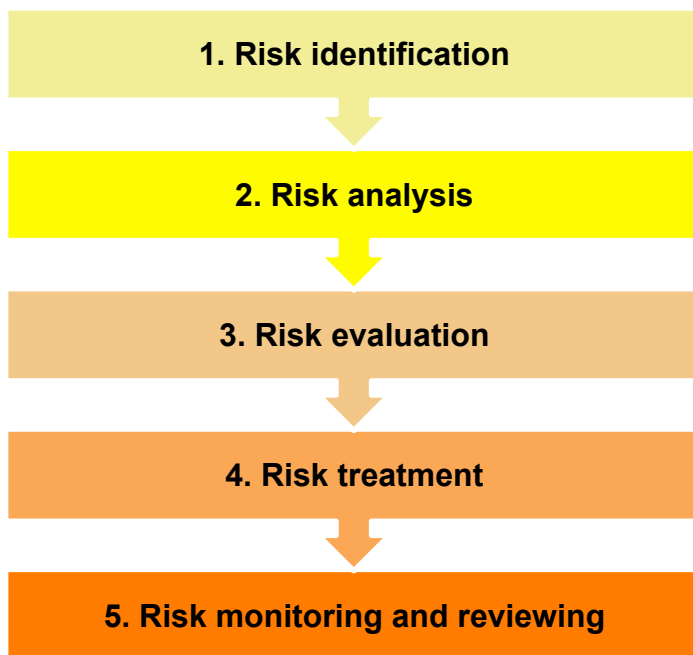


Figure 2. Basic steps of risk management process (Garlick 2007, p.16-29)

All five steps mentioned above are interrelated and repetitive components. Therefore, the risk management process is not linear but circular. (COSO 2004, p. 6)
Each step has its own purpose in the process as described below.

1. Identification of risks

As a first step, the goal is to identify which internal and external events are affecting the achievement of business objectives positively (opportunity) or negatively (negatively). Questions like “what, where, when, why and how something could happen” are useful tools in identifying scenarios for further risk assessment. (COSO 2004, p. 6; Garlick 2007, p. 13)

2. Analysis of risks

After having identified various risk events and consequences, each item should be systematically processed in order to gain an understanding on its nature and risk level. In general, the level of risk acceptance is determined by considering the likelihood and impact of each risk event and consequence. (COSO 2004, p. 6; Garlick 2007, p. 13) In fact, likelihood is measured whether as *frequency*, number of occurrences per unit of time; or *probability*, chance of occurrence expressed as a

number between 0 and 1. (Garlick 2007, p. 12) A risk analysis can be conducted quantitatively as well as qualitatively (Garlick 2007, p. 21).

3. Evaluation or ranking of risks

At the very beginning of the risk management process, a company should have established its level of risk acceptance and tolerance (COSO 2004, p.5). Based on this information as well as on the company's business objectives, also called risk criteria, significance of a risk can be determined. The standard risk formula for calculating risk significance is **severity x probability = risk** (Ilmonen 2010, p. 107; Juvonen 2005, p. 29). Upon this calculation a company can decide if a risk event is acceptable or needs treatment, and prioritise its set of actions accordingly (Garlick 2007, p. 13). In order to visually present the results, which may make decision-making easier, can also be displayed in a two-dimensional chart

4. Treatment of risks

After identifying the highest ranked risks that need treatment, measures should be selected and implemented for treating or modifying these risks to acceptable risk levels. These measures are best implemented through establishment of new policies and procedures in the company. For reporting and monitoring purposes these measures should be written down in an action, preventive and contingency plan. (COSO 2004, p. 6; Garlick 2007, p. 14)

The Standards AS/NZS 4360 (2004, p. 2-5) defines risk modification by choosing one of the following actions: reducing, avoiding, controlling, or sharing risks. Risk reduction is the process of reducing the likelihood, or negative impact, or both of a risk in order to stop it from developing or continuing. Another option would be to control risk by establishing practices and developing policies and guidelines for mitigating negative risk or fostering opportunities. Risk sharing, on the other hand, is concerned about distributing the risk by sharing loss or advantage from a specific risk with others. In contrast to the above modification factors, risk avoidance is about withdrawing or not to intervene in a risk situation. (Garlick 2007, p. 15)

5. Monitoring and reviewing risks

Monitor is “to check, supervise, observe critically or measure the progress of an activity, action or system on a regular basis in order to identify change from the performance level required or expected.” (The Standards Australia 2004, p.3) According to COSO (2004, p. 6), monitoring can be achieved through continuous management activities, single evaluations or both.

2.2 Brand Risk Management Process

If a company’s competitive advantage depends on a brand, protecting the brand should be the highest priority for a company. Non-marketers or those who are lacking in brand thinking may be challenged in identifying risks that could impact risk analysis and decision-making. (Abrahams 2009, p. 8; Knapp 1999)

On the other hand, many marketing and sales executives, who oversee the management of corporate brand equity, are under lots of performance pressure and mainly focus on quarterly financial results (Knapp 1999). In consequence, they only see short-term risks instead of long-term ones. In order to avoid this dilemma, the company, firstly, needs to understand fully the genesis of its brand power. What are the drivers of brand value? How do consumers perceive the company or its products? How do the company’s actions and decisions influence the brand power? (Knapp 1999)

Knapp (1999) states that in order to manage brand risks efficiently the same process steps as in risk management must be implemented. According to him, these steps are risk identification, quantification, comparison (assessment) and mitigation. This model differs from risk management process in such way that the main focus of a risk assessment is consumers. At the beginning of a brand risk assessment, it is crucial to understand what kind of a message and brand image a company intends to generate. Here, the purpose of the risk **identification** is to reveal discrepancies between consumer perception and brand promise given for any product, service or during customer interaction. In the assessment phase, measures should be created for **quantifying** consumer perception in a given sit-

uation. Afterwards, results should be benchmarked with consumer perceptions of other companies in the field. If the results differ strongly, qualitative research could show the potential reasons for this case. (Knapp 1999) Knapp (1999, p. 74) concludes “brand risk **mitigation** [...] involves both reducing assaults against a brand’s promise and strengthening that promise by deepening perceptions of distinctiveness.”

However, this process seems to be incomplete. Risk management is a continuous process and so should be brand risk management. When comparing the steps in Figure 2., which describes the basic steps of risk management, Knapp’s brand risk model should also continue with the steps ‘monitoring, tracking and reviewing risks’. The next section introduces the reader to a new model for identifying brand risks.

2.3 ‘Risk Anatomy’ of a Brand

Abrahams (2008, p. 21-23) developed a brand risk model (see Figure 3.) with the purpose to encourage non-marketers to think about and understand brand risks better. This suggested model is applicable to companies operating in any sector and should help non-marketers to understand the “basic patterns of brand variability and vulnerability (cause and effect)” and assist in decision-making about managing brands. It takes into consideration the overall structure and condition of a brand and has six interacting components: identity risk, presence risk, equity risk, reputation risk, status risk and market risk.

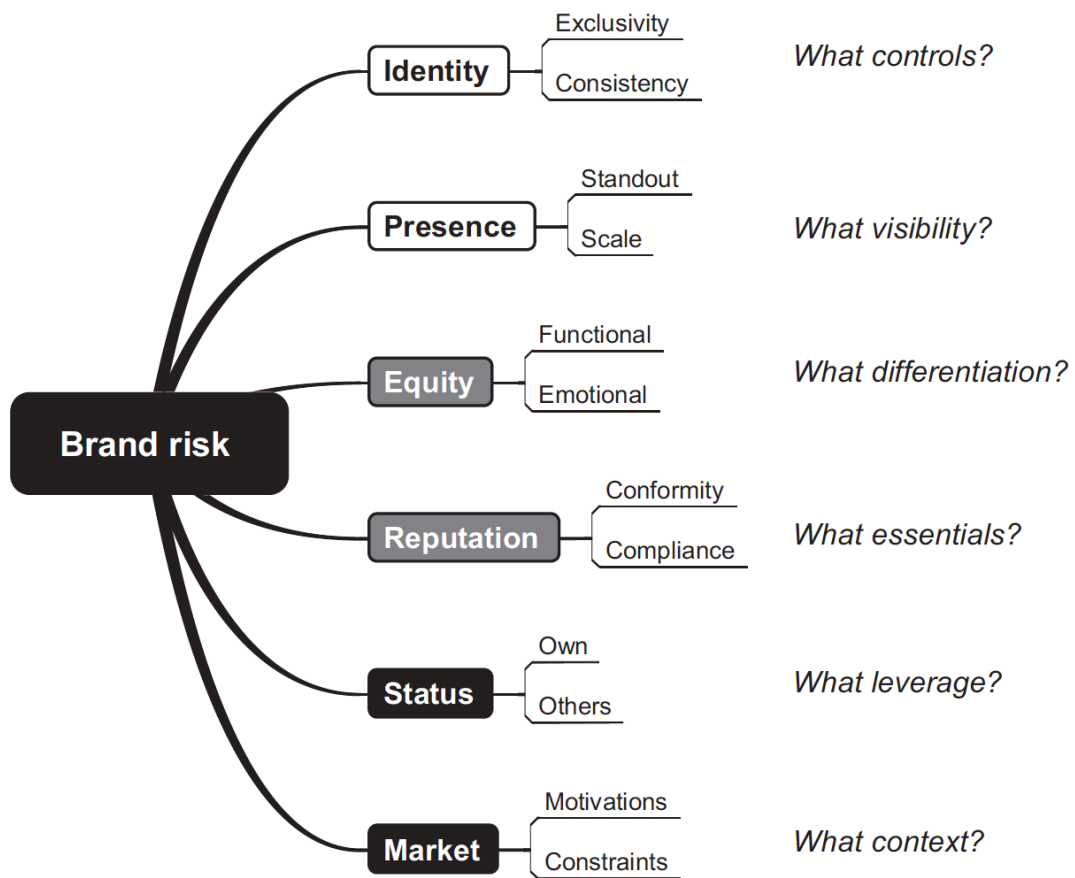


Figure 3. Components of brand risk (Source: Abrahams 2008, p. 22)

2.3.1 Identity risk

Brand identity is not to be confused with brand image. Kapferer (2008, p. 174) explains that a message defining the meaning, aim and self-image of the brand (brand identity) is transmitted through various channels and perceived by its receiver in an interpreted and translated format (brand image). According to Abrahams (2008, p. 23), identity risk relates to the way a brand is represented and appears in two forms: exclusivity and consistency.

Brand identity consists of various brand elements: brand name, logo, symbol, character, packaging, slogan, (Keller 2003, 46) layout of retail outlets, colours, shape of a product and sound. There can be problems arising with the *exclusive* use of those brand elements, especially in cases of infringement, counterfeiting and 'look-alikes'. In order to protect a brand from such risks, a company should

ensure that its company names, trademarks and other IP rights are registered in the essential jurisdictions. A lack of such registrations would prevent a company to enforce its IP rights and protect its brand(s). An exclusivity risk can also arise when two legally operated brands are confusingly similar. (Abrahams 2008, p. 23) For instance, as an anti-competitor campaign, Disney began to sell t-shirts with the title “The Original Angry Bird” (see Figure 4a.). This wording spread online like wildfire amongst its fans who started calling Donald Duck as “The Original Angry Bird”. This can be confusing to those consumers who are actually looking for to purchase an Angry Birds t-shirt (see Figure 4b.), especially to those purchasing on the Internet where similar search key words are being utilised. There is the risk that the wording will become settled and, in addition to this, consumers may be mislead to an incorrect website when looking for a particular product.



Figure 4a. Examples of ‘The Original Angry Bird’ design (Source: The Original Angry Bird 2012a; The Original Angry Bird 2012b)



Figure 4b. Example of an 'Angry Birds' t-shirt (Source: Angry Birds t-shirt 2015)

Lack of *consistency* is another risk to brand identity and The brand's identity is under threat if one or a combination of brand elements is managed inconsistently, inappropriately or unrepresentatively. This can lead to dilution of perceived brand quality and weaken a brand's image. The challenge to minimise or control those risks becomes bigger the more intermediaries, agents or licensees are part of the supply chain. (Abrahams 2008, p. 23)

2.3.2 Presence risk

Presence risk is about issues related to brand visibility such as brand awareness and brand attention in its key market (Abrahams 2008, p.23). Brand awareness is the ability to recall and recognise the brand (Keller 2003, 76). In fact, these are the key measures of brand strength and define the degree of brand knowledge in the market (Temporal 2010, p. 5).

Brand visibility is defined by the parameters *standout* and *scale*. *Standout*, also called 'brand salience', is a parameter of qualitative nature and defines brand qualities perceived by one person. When a brand stands out, it can have a positive as well as a negative context for this person, depending on his association with the brand. *Scale* is a parameter of quantitative nature and measures the achieved

market share volume in a defined timeline. In terms of a negative event, a crisis may escalate through publicity or network effects. (Abrahams 2008, p.23-24) In conclusion, at the launch of a new product or service brand, standout and scale are equally important in order to build a strong brand.

2.3.3 Equity risk

“Brand equity risk describes issues that affect a brand’s ability to maintain its desired differentiation or competitive advantage.” Differentiation or competitive advantage, which are components of a brand’s image, can be achieved by strengthening the perception of a brand’s functional and emotional benefits. An example of a functional advantage is ‘picture quality’ (of a television) while an emotional component can be ‘courage’. Furthermore, it is difficult for other companies to copy the exact mixture of functional and/or emotional benefits provided by a brand. (Abrahams 2008, p. 24)

Brand equity can include characteristics that are common to all other brands as well as qualities that downgrade the brand’s appeal. When these attributes are being deducted from brand equity, the net beneficial properties of the brand can be measured. (Abrahams 2008, p. 24) Since each brand is different and complex in itself, a brand equity analysis helps to determine “what qualities must be reinforced by the brand’s identity and presence” and identifies “where the brand’s equity might be most vulnerable to changes in market factors or company performance”. (Abrahams 2008, p. 26)

2.3.4 Reputation risk

This type of risk is created when companies fail to meet expectations of performance that are applicable to other companies operating in the same industry. These occur in two forms: compliance and conformity. Compliance is created by regulations, which reflects but does not change societal expectations. (Abrahams

2008, p. 26) For instance, each company has to conform to product standards applicable to their industry in order to ensure the health and safety of their consumer. *Conformity* is about meeting existing social and moral norms (Abrahams 2008, p. 26). During a criminal investigation, for example, actions need to be taken within legal boundaries; everyone involved needs to act upon the company's code of conduct and guidelines (Hopkins et al. 2003, p. 216-218). However, the performance of good brand reputation has to change with evolving "market expectations, community interests, regulatory and other standards" in order for the brand to survive (Abrahams 2008, p. 26).

According to Abrahams (2008, p. 27), "a brand's reputation acts as a foundation for the equity element that creates competitive advantage". In other words, when a brand's reputation is under the threat of being damaged, it is usually the factors of brand essentials - which are vital for the existence of a brand - that are under attack. Typical potential risk issues are poor product quality, trust issues and failure to fulfil promise of the brand or its owner (Abrahams 2008, p. 26). These can be avoided if a company takes full responsibility and pre-emptive actions.

2.3.5 Status risk

"When one brand's status rises, another's must fall." (cited in Abrahams 2008, p. 27) Brand status differs from brand reputation and equity in this sense that it cannot be controlled by its company's actions but rather is impacted by the actions of *others*. The only way to maintain a good brand status is by constantly strengthening *own* reputation and brand equity. (Abrahams 2008, p. 28)

Perceptions of brand status, in fact, can be a decisive factor for creating specific market behaviour in times of uncertainty. When a consumer faces uncertainty during their purchase decision-making due to new technology or low level of brand involvement, a brand status can be a crucial purchasing factor (Abrahams 2008, p. 27).

While high-status companies do benefit from an immediate and wider market acceptance, they also face higher reputation risks. This is due to the greater visibility (standout) of the brand and expectations to lead by example in regards to social, ethical and environmental issues. (Abrahams 2008, p. 28)

2.3.6 Market risk

This time, brand issues are created by external factors in its market or industry. These are modified by changes in stakeholders' motivations and distinct constraints, and may influence the brand differently. (Abrahams 2008, p. 28)

An assessment of stakeholders' *motivations* should consider all risks and uncertainties relating to changing segment needs and interests. Changing motivations of various stakeholders such as investors, regulators and customers can directly or indirectly impact a brand performance differently, worldwide or by region. (Abrahams 2008, p. 28) For instance, companies operating in the toy industry are constantly facing the challenge of product seasonality and identification of changing consumer behaviour (The Walt Disney Company 2011a; Hasbro 2011, p. 10).

The brand's freedom to operate can be limited by various *constraints*. New regulations may require new changes in its "licence to operate". For instance, in reaction to major corporate and accounting scandals, the U.S. Securities and Exchange Commission (SEC 2015) introduced the Sarbanese-Oxley Act of 2002 with the intention to tighten SEC requirements for all public company boards, management and public accounting firms. One of its new requirements is that each top manager must confirm in writing that the financial information provided to SEC is accurate. (SEC 2015; Hopkin 2010, p. 95)

A company's conduct can also be influenced by a brand's immediate customer group's political or social opinions (Abrahams 2008, p. 28-29). For instance, as a reaction to the increase of childhood obesity rates, The Walt Disney Company wanted to promote a healthier lifestyle and, in 2010, launched with the First Lady Michelle Obama the *Disney Magic of Healthy Living* –program that was targeted at

parents who want to raise healthy, happy kids. The company consulted experts in the food, fitness and health industry and created its own nutritional guidelines. These products are now available at theme parks. (Walt Disney 2010a)

2.4 Brand protection

“Brand attacks come in a variety of forms, such as counterfeiting, gray market, black market, tampering, compatibles, copyright/trademark, and patent infringement.” (Eastman Kodak Company 2010, p. 2) Due to the intangible attribute of brands, protection of brands seems to have been dismissed or forgotten by managers or company executives. However, the **significance of brand protection** increases with the growth of brand exposure and interacts within various company divisions.

In fact, **brand protection** should be taken into consideration as soon as an idea for a new intellectual property right, brand, product or invention arises inside the company, follow throughout various processes until the end product reaches the consumer for consumption. The structure of a brand protection programme depends on the company’s business model, and its internal and external processes implemented by the company itself and its partners (Diaz 2010). In other words, brand protection in a licensing company would differ from one in a manufacturing or franchise company. Licensing companies would face multiplied risks, as the manufacturing and production supply is very complex and versatile. The licensing company would have to ensure that each of its licensees is conforming its standards and requirements creating various challenges in managing a full supply chain. A manufacturing company, on the other hand, would have better control of its shorter supply chain. As an example, Johnson & Johnson, a multinational pharmaceutical company, takes a proactive approach to tackle counterfeiting by actually building its own security technology into its product and packaging at the earliest stage of production (Hammerbeck 2008). The company uses their risk assessment tool for analysing the vulnerability of each product and package and for identifying the impact of such risk events. (Hammerbeck 2008)

Brand protection programmes should always be “aligned with a company’s business objectives and have a measureable impact on revenue growth”. (Diaz 2010, p.2) Berger et. al. (2012) confirms the above and stresses that any company’s general strategy and IP protection strategy as well as enforcement strategy should be aligned in order to increase the overall effectiveness of protection against counterfeits.

2.4.1 Brand protection from the brand risk management perspective

Hereby, this section continues reviewing some possible brand risks created by counterfeiting by means of Abrahams’ brand risk model (Figure 3.).

Identity risk

Exclusive use

Brand right holders present their exclusive use and proprietary rights of intellectual property, for example, by printing their logo and symbols on packages. Counterfeiters produce similar or exact copies of the product and package. In consequence, consumers cannot make a difference between genuine and counterfeit products.

Presence risk

Standout

Counterfeiters are any company’s competitors but operating outside legal boundaries. Some of the counterfeiters are so sophisticated that they have sufficient technical, financial and human resources in order to manufacture counterfeit goods resembling an originally branded product and its features have been developed to such standards that it is far better than the original product and, in fact, is more appealing product to the market. This issue may be quite common for international companies that follow a global business strategy instead of refining and localising it. The product, however, would still be infringing the brand right holders intellectual property rights and categorised as counterfeit. According to Hopkins et al. (2003, p. 39), such situation would be a significant threat to the company, because

such counterfeiters can provide similar benefits at a highly discounted price. The look and functionality of luxury handbags is a good example.

Scale

If a brand's popularity grows faster than a company expected or had planned, substitution products may replace its absence in a market. According to Staake (2008, p. 125-126), there are numerous factors for substitution and these "include the characteristics of the imitation product (product category, price, visual quality, etc.), the properties of the genuine good (price, function of the brand, expected level of quality and service, warranty, etc.), the seller (seriousness, appearance, place of transaction, etc.), and the consumer (intention, awareness, risk-taking, income, brand perception, etc.)". Before selecting any particular remedies, companies should understand first the fundamental reason for the coherent existence of substitutes and genuine products on the market, and to estimate the loss of revenue. (Staake 2008, p. 126)

Equity risk

Brand equity is at risk when, for instance, a consumer is highly deceived in buying a high-quality product but ends up with a counterfeit. Firstly, the consumer may be embarrassed when she did not notice that the product is in fact counterfeit but her friends did. Secondly, the performance of the counterfeit is not the same compared to a legitimate product. Hence, it would be difficult to get the counterfeit repaired, replaced or refunded. (Hopkins et al. 2003, 46) Moreover, the product does not even have to be counterfeit. Also unauthorised overruns undercut authorised distributors and may damage the brand by making its official price suspect. This would be the case if those goods manage to enter the legitimate supply chain and are offered at official retailers and shops (Hammerbeck 2008; Hopkins et al. 2003, 52).

Market risk

Constraints

Law institutions try to keep up with the speedy development in various life areas on a national and global level by creating new or updating current laws, regula-

tions and policies. A company may experience new regulations as a constraint but having no regulations in place may be even more constraining. For example, a new global trend – and a concern for many brand right holders – is the offer of 3D-printed material and goods (De Wachter 2014). The issue is that intellectual property rights like copyright cannot be used in this case, as the infringing item is a digital file, which is not covered by copyright law. As De Wachter states (2014), a digital file is not a copy of a physical object.

Status risk

As mentioned in section 2.3.5, status risk can occur through actions of others. For example, a consumer is looking to buy an affordable but cheap Rolex watch. The consumer purposefully visits Canal Street in New York, which is internationally well-known for selling counterfeits (The New York Times; Fashion & ENTERTAINMENT law guide), and buys a cheap and low-quality copy of a Rolex watch. He is fully aware of buying a counterfeit and would not be disappointed should it break, as often is the case. The Rolex company may not lose much in sale, but its brand would be degraded; the feel of brand exclusivity would diminish as it becomes commonly available. (Hopkin 2010, p. 44) Non-deceptive counterfeits may be apprehended to be the lowest risk to the brand. However, depending on the proliferation of counterfeit goods, counterfeits may saturate the market. (Hopkin 2010, p. 40 & 44)

Reputation risk

In summer 2007, toy company Mattel was caught in three large-scale recalls due to hazardous levels of lead paint in toys. Mattel was actually the pioneer for developing the first toy safety standards and introducing global quality and safety manufacturing standards, but it got caught by this crisis itself causing the value of its stock price to decline, lead one of its long-term partners to commit suicide and causing political tensions between Chinese regulators and Mattel. After investigation and identification the problem of the source, Mattel was able to redeem its reputation by making a public apology to China and its quality watchdog chief, and having created processes and practices in order to guarantee its supply chain in-

tegrity. (Teagarden 2009) “Especially when reputation and brand are important to a company, supply network control is essential.” (Teagarden 2009, p. 14)

2.4.2 Tools in brand protection programme

This chapter focuses on various countermeasures that are currently available to individual companies whose focus is to mitigate or control the consequences of counterfeiting on their brand and company reputation.

Ten actions

According to Shultz and Saporito (cited in Green et al. 2002), companies can choose between ten actions in order to deal with counterfeiting.

1. *Do nothing.* Brand right holder should not take any actions unless the brand is threatened materially (Shultz & Saporito, cited in Green et al. 2002).
This may be relevant in cases of non-deceptive goods. If the goods were digital content such as game applications with viruses, possible actions should be considered. For instance, informing consumers on where to upload the genuine application and about possible harms to follow of downloading illegitimate versions.
2. *Co-opt the offenders* (Shultz & Saporito, cited in Green et al. 2002).
In my opinion, this option is very unlikely, as doing business with counterfeiters may only encourage them to infringe more intellectual properties, undermine the work of law enforcement and law authorities who are working hard to protect governments, businesses and citizens. In addition, since the monitoring of supply chains can be quite challenging, there is no guarantee that counterfeiters would not introduce also counterfeited goods into the legitimate distribution and sale channels.
3. *Educate stakeholders at the source.* Companies should persuade government leaders that protecting intellectual property in their country would re-

sult into a long-term benefit for them (Shultz & Saporito, cited in Green et al. 2002).

For instance, China had lax legislation on protecting intellectual property due to their cultural aspect of “sharing is caring”. However, local companies with special know-how were seeking to protect their innovation as their brand started to thrive. They were putting pressure on local government to protect their intellectual property, as they experienced the same counterfeit issues as Westernised companies. (Chow 2010)

4. *Advertise*. Educate consumers on how to identify counterfeit, that buying counterfeit is comparable to theft and that a genuine product possesses more merit (Shultz & Saporito, cited in Green et al. 2002).

Some companies like Louis Vuitton, Red Bull and Fossil have a separate website that presents the company’s stance towards brand protection and counterfeiting.

Also coalitions and associations have the objective to educate consumers. At least once a year anti-counterfeiting groups all around the world organise an event displaying authentic and counterfeited goods and bringing awareness to consumers about the scale and scope of counterfeited goods, especially on the World Anti-Counterfeiting Day in June. (GACG 2015b)

In order to raise awareness of the dangers related to counterfeit goods and their possible link to crime amongst consumers, many international anti-counterfeiting organisations and associations run their own campaigns (see Table 2.). On World Anti-Counterfeiting Day, also some of the national anti-counterfeiting organisations organise an event displaying authentic and counterfeited goods and bringing awareness to consumers about the scale and scope of counterfeited goods (GACG 2014).

Table 2. Examples of anti-counterfeiting campaigns

Campaign name	Organisation/Association
'Fakes Cost More - I buy Real'	Business Action to Stop Counterfeiting and Piracy (BASCAP) ¹
'Get Real'	International Anti-Counterfeiting Coalition (IACC) ²
'Turn Back Crime'	Interpol ³
Counterfeit: 'Don't buy into organized crime'	United Nations Office on Drugs and Crime (UNODC) ⁴

5. *Investigation and surveillance.* Companies could hire private investigators whose job is to identify criminal offenders and distributors of counterfeits, and provide the obtained information to the authorities (Shultz & Saporito, cited in Green et al. 2002). This type of action is quite time-consuming and costly. During such raids, investigators would confiscate counterfeits for possible evidence purposes in further legal actions. Such raids, however, need to be approved by local authorities first. (Hopkins et al. 2003, 65)

6. *High-tech labeling.* Companies should develop invisible label that are difficult to copy (Shultz & Saporito, cited in Green et al. 2002). Usually such services are outsourced or bought from third parties. Brand right holders might believe that counterfeiters would not bother to copy such product features, as this would add up to the production costs of counterfeited goods and might find it too labour-intensive. At the end counterfeiters would like to make quick money.

IT and consulting firms offer a large range of technical solutions for effective labeling and featured packaging such as tamper evident closures/seals, authentication devices, track-and-trace systems, and anti-theft devices (Global

¹ <http://www.iccwbo.org/advocacy-codes-and-rules/bascap/consumer-awareness/i-buy-real>

² <http://www.iacc.org/resources/about/awareness>

³ <http://www.turnbackcrime.com>

⁴ <https://www.unodc.org/counterfeit>

Brand Protection Market 2010, p. 35). Technical solutions, however, will most likely not stop large-scale counterfeiters because of their financial stability, but it will stop small-scale counterfeiters in continuing their practice. Such solutions enable the company to increase its market share by regaining the one from counterfeiters. (MarketingWeek 2012) but some companies view security features rather as an expense instead of an investment (Hammerbeck 2008).

According to Chaudhry and Walsh (1996), companies can use high-tech security labelling and hidden words on product label as a primary solution of brand protection. However, in my opinion, such solutions are useful mainly for brand right holders but not for consumers or law enforcement. If a package were to use hidden words, for instance, this security feature could not be published without jeopardising the product to be counterfeited in due time. The issue with holograms though is that law enforcement and consumers need to be educated first in order to be able to recognise a genuine hologram placed on one of many other brands. In order to demonstrate the difficulty behind this issue, would the reader be able to recall the image displayed on the security hologram found on his payment card?

7. *Create a moving target.* The product's physical appearance should be renewed frequently in such a way that quick reproduction of the product is difficult (Shultz & Saporito, cited in Green et al. 2002).

Companies usually create style guidelines for their product lines in order to support their intended brand image. Those are shared with the company's official licensees and/or manufacturers who are obliged to follow those guidelines. While changing the product design, overall appearance of the product should still represent the brand.

8. *Legislation.* Brand owners should cooperate with government officials on enacting legislation that controls counterfeiting more effectively and efficiently (Shultz & Saporito, cited in Green et al. 2002). Legislations vary between countries (Hopkins et al. 2003, p. 233). For instance, in 1994, after

intensive lobbying by the United States and gaining support from the European Union, Japan and other developed countries, the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) was negotiated at the end of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT).

Depending on the jurisdictions, *registrations of intellectual property rights* (trademark, copyright, patent and design rights) are fundamental steps in order to have the legal right to enforce on the company's intellectual property rights and protect a brand from illegal actions like counterfeiting. Without a registration it is often very difficult, if not impossible, for brand right holders to prove that they are the legitimate right holder. (Chaudhry et al. 2009; Hoecht et al. 2014)

9. *Coalitions* with other industry members (Shultz & Saporito, cited in Green et al. 2002) could be an useful option, as this allows people to expand their network of people that share the same background and experience similar type of problems to share information and possibly to take joint actions and reduce legal costs.

10. *Cede the industry*. Shultz and Saporito suggest to leave those markets where counterfeiting is practised (Shultz & Saporito, cited in Green et al. 2002). In my point of view, such decision would be inefficient, especially when a brand has gained already worldwide popularity. Nowadays the word is spreading faster with the Internet. If the brand right holders will not supply the market, then counterfeiters will surely fill the gap.

2.5 Counterfeiting as the Specific Case of Brand Risk

According to the International Anti-Counterfeiting Coalition (IACC) and federal law enforcement, counterfeiting is the crime of the 21st century. (Stipp, cited in Jacobs 2001, p. 500) In order to understand the various issues related to counterfeiting as

brand risk, this section provides an overview on the scale and scope of counterfeiting.

2.5.1 Definitions

Counterfeit products are “(...) any goods, including packaging, bearing without authorization a trademark which is identical to the trademark validly registered in respect of such goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the rights of the owner of the trademark in question under the law of the country of importation.” (TRIPS, Part III, Section 4, Article 51, Footnote 14 (1994)). In other words, counterfeit products are an identical copy of the original product, but the manufactured material is of lower quality. Eventually, the intention is to deceive consumers who want to support their brand. (Hupman & Zaichkowsky 1995) As an example, Figure 5. illustrates a pair of counterfeit and genuine sneakers; the pair on the left-hand side is counterfeit whereas the one on the right-hand side is genuine. The difference is that the genuine shoes would have no signs of ‘heel tags’, as indicated on the left image.



Figure 5. Fake (left) and genuine (right) Adidas shoes. (Source: Fake Adidas Superstar 35th Adi Dassler 2009; Genuine Adidas Superstar 35th Adi Dassler 2009.)

Pirated goods are similar to counterfeits but differ in that the seller openly discloses that the goods are ‘copies’ of the original brands, and consumers purposefully seek unauthorised copies due to the similarity of the original product and lower price. For example, these can be CDs, video games and computer software. (Zaichkowsky, cited in Kaptan 2010, p. 55-56)

Knockoffs, also named “look-alike” or “sound-alike”, are imitations of widely known products or services that are similar in name, shape, form, but not identical to the original brand.(Jacobs 2001) For instance, Figure 6. illustrates an imitation of Adidas shoes that are called Adibos. Consumers are aware that the goods are not genuine do due the inexpensive price compared to the original product, lack of traditional packaging, and/or unofficial distribution channels. Although it seems that genuine goods purchasers would not be deceived in buying knockoffs and their would be not direct loss of sales, a brand may loose its distinctiveness in image and design amongst a regular supply of low-priced knockoffs. (Berman 2008)



Figure 6. Adidas knockoffs (Source: Adibos 2014)

Gray marketing, also called “third shift” (Berman, 2008), is when authorised manufacturers deliberately produce a higher quantity of goods than is required by the purchasing company and sell those overruns illegally on the market. (Zaichkowsky 1995) This means that the authorised manufacturer produces illegally an exact physical and functional copy of the product in excessive amounts on the same machinery as the original product (Berman 2008). Parloff, Chandler and Fung (2006) documented an example of this type of counterfeiting in which an out-sourced manufacturer produced overruns of New Balance sneakers despite of termination of contract. In comparison to counterfeited, pirated, or knock-offed goods, gray marketing seems to be mainly an internal issue of a company or its

licensees due to inefficient control measures in their supply chain management and would require a different approach for being tackled/combated.

2.5.2 Scale of counterfeiting

In the year 2013 alone, in 69 countries about three billion (3,044,750,738 to be exact) pieces of goods that are infringing intellectual property rights or do not meet national standards were seized, and this is not the whole account of counterfeits available on the market (WCO 2013, p. 62). The health and safety risks associated with substandard counterfeit products are a growing concern. Little is known about the overall magnitude of the problem as activities are clandestine and fake/pirated products are increasingly difficult to detect. (WCO 2013, p. 66)

In a recent study the OECD (2007b, p. 15) states “the overall degree to which products are being counterfeited and pirated is unknown, and there do not appear to be any methodologies that could be employed to develop an acceptable overall estimate.”

The logical step to tackle counterfeits would be to estimate the size of the current counterfeit market, however, this is easier done than said. (Chaudhry et al. 2009, p. 7) However, businesses and organisations have admitted that calculating the impact and scope of counterfeiting cannot be absolutely measured, because counterfeiting is an illegal and opaque activity, customs seizures reflect only a small part of general trade, and factors for calculating the scale of counterfeiting has not been agreed on (Chaudhry et al. 2009, p. 7-9). In other words, counterfeits seized domestically are not included in the statistics of customs seizures, because customs officers do often not handle these and different legal actions need to be taken.

In order to understand the scale of the counterfeit market various organisations and research centres have implemented various measurements. However, each company admits that the estimated figures are flawed because metrics are un-

known, sources repeat the same data, data collection method is insufficient and enough data does not exist.

2.5.3 Scope of counterfeiting

The **scope** of products being counterfeited and pirated is broad. Counterfeit goods are usually associated with luxury brands such as Gucci, Louis Vuitton and Rolex. The sad reality though is that even non-luxury brands are spared from counterfeiting. It is quite common to find counterfeited shampoos, toothpaste, condoms, software and car spare parts. (Green et al. 2002, p. 90) In the report “Illicit Trade 2013”, World Customs Organisation also concluded that the new trend of counterfeiting is to shift production from luxury to common products. Table 3. provides an overview on the volume of product units and their value in 2012 and 2013. It clearly shows that in 2013 counterfeit medicine was the most intercepted product item. (WCO 2014, p. 66).

Table 3. shows the diverse range of products being counterfeited. In 2012,

Commodity	Quantity (pieces) 2012	Value (USD) 2012	Quantity (pieces) 2013	Value (USD) 2013
Pharmaceutical products	4,140,318	14,405,404	2,325,247,466	19,388,693
Electronic appliances	3,423,896	170,355,748	470,821,728	74,551,410
Other	17,722,180	121,548,149	95,242,873	56,865,587
Foodstuff	1,316,034	6,924,247	50,338,796	5,715,238
Clothing	12,090,266	111,511,445	32,877,929	115,400,776
Transportation and spare parts	4,120,790	27,887,278	17,957,325	13,945,339
Cigarettes	47,322	214,095	17,636,183	21,819
Accessories	6,712,922	426,677,500	10,079,064	229,781,652
Games and toys	3,505,486	22,649,732	5,750,377	28,882,956
Toiletries/cosmetics	3,268,255	60,318,717	5,663,822	65,590,057
Mobile phones and accessories	1,736,595	21,293,090	3,783,787	24,427,504
Footwear	2,352,318	69,881,973	3,139,816	112,530,010
Computers and accessories	848,578	11,493,152	2,227,604	22,461,541
Textiles other than clothing (towels, bed sheets etc.)	4,106,207	8,653,485	1,716,023	7,916,642
Watches	602,911	391,236,132	1,510,171	229,694,582
Phonographic products	3,929,684	6,483,568	736,330	6,112,419
Soft drinks	0	0	11,580	22,168
Alcoholic beverages	24,041	118,340	9,864	179,522
Total	69,947,803	1,471,652,055	3,044,750,738	1,013,487,915

Moreover, in 2013, customs seized over 1,000 different brands with Nike being the top most counterfeited brand amongst 15 other brands. This time, also Samsung, Michael Kors and OtterBox made it to the top 15 most counterfeited item list (Figure 7.).

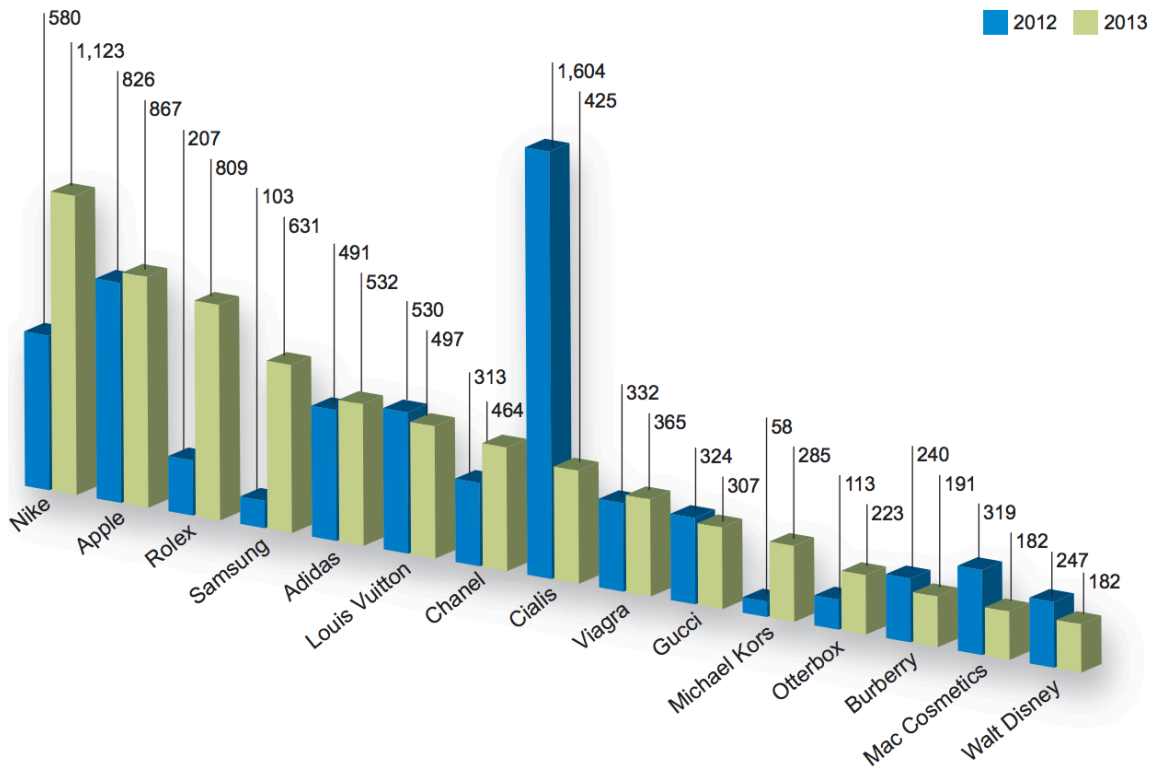


Figure 7. Top counterfeit brands by number of cases (Source: WCO, 2014, p. 65)

In addition to the scope of product categories, also distribution channels were for counterfeited and pirated products have expanded, especially with the arrival of the Internet. (WCO 2014, p. 66)

3 RESEARCH METHODOLOGY

This chapter provides an overview of research methodology and instruments employed in this study with the objective to find answers to the research questions posed in Chapter 1.3.

3.1 Research Approach

Since topics like “brand protection”, “brand risks” and “counterfeiting” are still quite new in academic literature and not well understood, assumingly because of their sensitive nature, this study adopts an exploratory and descriptive, qualitative research approach. (Saunders 2009, p. 239)

The main focus of this study was to explore and understand the boundaries of a brand protection program by assessing risks caused directly or indirectly by counterfeiting and finding remedies for treating those risks. Thus, this study also adopted an inductive approach by focusing on the context in which those events were taking place instead of the behaviour of the sample or population as is common in quantitative research. Therefore, studying a small sample was more relevant compared to a large number of cases as is common with deductive research. (Saunders 2009, p. 126)

3.2 Research Design

A selection of a suitable research design depends on the study’s research questions and objectives (Hair et al. 2011, p. 155). Exploratory research is useful for gaining a better insight and understanding on a business problem or opportunity that is not well known to the researcher. This approach allows the identification of new patterns, relationships, themes, and so forth. It is possible to use qualitative as well as quantitative approach. (Hair et al. 2011, p. 147-148) In other words, this study also analysed participants’ basic risk attitudes and opinions towards counterfeiting and assessed their risk perception of counterfeiting.

Two questionnaires (see Appendix 2) were created with the software Webropol and published on a web page, which can be accessed only with a password. The advantage of using an internet-mediated and self-administered questionnaire as a research instrument is that people can easily be reached despite of their geographical location while the disadvantage though is a low response rate. (Hirsjärvi 1997, p. 190)

3.2.1 Questionnaire design

The author created two self-administered questionnaires: one for company representatives and one for marketing professors. The structure and design of both questionnaires were kept the same. This additional step was created for facilitating the analysis of results as will be explained in section 3.4. Participants were able to respond anonymously and decide which questions to skip, if necessary. In order to ensure that the questionnaire would be answered only once, the settings of the questionnaire were altered accordingly. In order to maximise the response rate, an introductory letter (see Appendix 1) to this study was inserted at the beginning of the questionnaire.

This questionnaire included eight closed-ended and ten open-ended questions on risk identification, risk evaluation and assessment. Open-ended questions are commonly used in exploratory research a) when answer alternatives are not known or b) answers should not be influenced but come from “top-of-mind”. Designing closed questions, on the other hand, are more time-consuming but allows pre-coding of the data, and facilitates data collection, input and analysis. (Hair et al. 2011, p. 256) Due to limited options of answers, this type of question was used in the risk assessment process of this questionnaire.

The questionnaire was divided into four parts: a) assessing the level of risk tolerance of each sector; b) exploring the boundaries of a brand protection programme; c) assessing risks related to brand protection; and d) using possibly a new tool in a brand protection programme.

The purpose of the first part was to find a pattern amongst participants that may impact their perception on the risk of counterfeiting and their decision-making. Since literature on brand protection is limited, the second part of this study aimed to gain an insight on the meaning of brand protection for each sector and their perception on specific brand risks relating to counterfeiting. This was followed by a risk assessment in which participants evaluated the risk impact of counterfeiting on a brand and a company. Some of those brand variables were selected based on literature. In the final part, participants evaluated the possibility of using public statements on confiscated counterfeited goods as a new countermeasure.

3.2.2 Measurement and Scaling

One of the objectives in this research was to use a qualitative risk analysis in order to assess risk significance of risk events. Thus, the questionnaire employed in this study was of quantitative and qualitative nature.

At first, a set of qualitative likelihood and consequence bands were defined. These are set out in Table 4. and Table 5.

Table 4. Likelihood band

<u>Likelihood:</u>
1 = Rare (may occur only in exceptional circumstances)
2 = Unlikely (could occur at some time),
3 = Possible (might occur or should occur at some time),
4 = Likely (will probably occur in most circumstances),
5 = Almost certain (is expected to occur in most circumstances).

Table 5. Consequence band

Severity:
1 = Insignificant (Insignificant impact; little disruption to normal operation; low increase in normal operation costs)
2 = Minor (minor impact for small population; some manageable operation disruption; some increase in operation costs)
3 = Moderate (minor impact for large population; significant modification to normal operation but manageable; operation costs increased; increased monitoring)
4 = Major (major impact for small population; systems significantly compromised and abnormal operation, if at all; high level of monitoring required)
5 = Catastrophic (major impact for large population; complete failure of systems)

For risk assessment, we used Likert scaling, which is often used for measuring attitudes or opinions (Hair et al. 2011, p. 221). The key measures were participants' perception about (a) the likelihood and (b) severity of counterfeiting impacting brand variables and the company, each assessed, on a 5-point rare-almost certain and insignificant-catastrophic Likert scale. The use of a possible countermeasure was measured on a 3-point rating scale, with the end points: agree, disagree, I do not know.

The objective was to create a qualitative risk analysis by using this data for building a five-by-five risk matrix. A three-by-three risk matrix would be too coarse (Garlick 2007, p. 22). In order to avoid creation of bias responses, a balanced scale (5-points) was chosen, and, during risk assessment, participants were asked to evaluate likelihood and severity of risk impact in separate questions. In literature, there is still disagreement on whether Likert items should be considered as ordinal-level data or interval-level data (Boone et al. 2012). In order to strengthen participants' perception of evaluating an interval-level measurement, numeric items were combined with linguistic qualifiers and point 3 served as midpoint of the scale.

3.3 Data Collection

This part describes the process of collecting data in summer 2011 with the selected instrument for finding answers to the research questions posed in Chapter 1.3.

3.3.1 Pilot testing

The purpose of pilot testing is, according to Foddy (1994) as cited by Saunders (2009, p. 371), to check if the respondent understands the questions in the same way as the researcher intended, and the researcher understands the answers provided by the respondent as intended. In case of any discrepancies the questionnaire should be improved accordingly. In addition, pilot testing enables to assess validity and reliability of the questionnaire. (Saunders 2009, p. 394-395)

In the first pilot phase, two company representatives were contacted by email and phone. It became apparent that both representatives were not allowed to participate in this study due to their company policy. One of them clarified that the information requested was too specific and confidential. Hence, the questionnaire was revised; all questions asking for confidential information, e.g. on anti-counterfeiting measures, were removed.

In the second pilot phase, the amended questionnaire was tested with two other representatives of a company. The questionnaire was completed in the presence of the author with the intention to receive direct feedback on the questionnaire design should there have been any ambiguities or reasons for misunderstandings. However, it was confirmed that none of those issues existed.

3.3.2 Research process

At first, each company representative, who were identified through list sampling method (see section 3.3.3), was approached by email and stating the purpose of this study. This was followed up with a phone call in order to verify that the person in question meets in fact the criteria set in section 3.3.3 and had the company's

authorisation to participate in this study. During the phone calls, it became apparent that some company representatives were concerned to discuss such confidential matters with someone outside the company and, hence, did not participate in this study. Afterwards, a link to the online questionnaire and password were sent to those who confirmed their participation in this study.

If a potential participant did not submit their questionnaire, a reminder email including the link to the questionnaire was emailed after two weeks again. Participants had three months time to respond to the questionnaire.

Marketing professors, on the other hand, were contacted by email which included a link to a similar structured and designed questionnaire. Despite of not having phoned up this group, the response rate was about 83%.

3.3.3 Selection of sample

In contrast to probability sampling, the intention of non-probability sampling is to generalize rather on the theory than on the population (Saunders 2009, p. 233). Due to the explorative nature of this study, non-probability sampling was a suitable approach, as the sample could be selected purposively and difficult-to-identify members of the population (Saunders 2009, p. 243). The researcher selects a sample based on his knowledge, experience and own judgement. The objective of this type of sampling procedure is to select participants that are able to respond to research questions and meet the study's objectives. (Saunders 2009, p. 145, p. 237- 239) Since the key themes are counterfeiting, brand protection and brand risk, the sample is a heterogeneous group of experts possessing knowledge on the research problem (Hair et al. 2011, p. 175; Saunders 2009, p. 237-239). Due to its small size though, this sample cannot be statistically considered as representative of the total population (Saunders, 2011, p. 239).

In overall, the advantage of a purposive sampling is convenience, speed, and low cost (Hair et al. 2011, p. 175) whereas the disadvantage is that it might be that the population cannot be generalised, as it has not statistical grounds; it may carry the general type of error, self-bias selection. (Saunders 2009, p. 145)

However, the author tried to strengthen the validity of the sample by first using a list sampling method, as suggested by Lee (1993, p. 61-63), in order to ensure that each participant would meet the pre-established background criteria which were as followed:

For academics: a) well-know marketing professors, b) published a book on brand management and touched the subject on counterfeiting.

For company and its representative: a) has experience in brand protection and handling with counterfeiting issues; b) is a member of at least one of the anti-counterfeiting organisations (e.g. IQPC, INTA, ACG); and c) possesses or represents one or more popular brands.

These criteria imply that by being a member of one or more anti-counterfeiting organisations and paying a membership fee to each of those organisations would indicate that the company is likely experiencing counterfeiting issues.

In this way, a list of possible participants was created whose contact details were extracted from the company, organisation or university homepage.

As mentioned earlier, the topics in this study are sensitive for some companies, so people under investigation cannot always participate or “conceal their activities (Lee 1993, p. 60). Some participants were a bit reluctant to participate in this study or had to negate completely. Organisations always want to present themselves and their business in a good light (Saunders 2009, p. 179). Therefore, it is possible that some results were improved by participants.

At the end, 12 of 20 contacted people participated in this study; 7 of these were working in an international company and 5 of these were working for an academic institution. The size of this sample may prove sufficient in qualitative inquiries involving the understanding of experiences and perceptions of participants.

Table 6. Profile of Respondents

		Participants			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Company	7	35.0	58.0	58.0
	Marketing Professor	5	25.0	42.0	100.0
	Total	12	60.0	100.0	
Missing		8	40.0		
Total		20	100.0		

3.4 Data Analysis

All results provided through Webropol were inserted and analysed in Microsoft Excel spreadsheet. In this way, preliminary information could be gathered and summarised in tables and charts.

At first, all participants were divided into two groups based on their company or academic background. During further analysis, a pattern was identified in the sample; the focus group was divided into four subgroups depending on their level of risk tolerance. During the evaluation of risk assessment, the concept of qualitative risk analysis and risk matrix was adopted by illustrating the results in a bubble chart; the x-axis representing perceived severity of risk events, the y-axis showing perceived likelihood of risk events, and the size of each bubble illustrating the significance of risk events. The closer the risk event would be plotted to the top-right-hand corner, the higher it should be on the priority list of risk management due to its significant impact value on the brand or company. The bubble charts revealed which risk events would have the greatest risk significance. Based upon this information, top three brand risk events created directly or indirectly by counterfeiting were summarised in a table for further analysis.

As mentioned earlier in Chapter 3.2.1, all data received from closed questions was pre-coded in order to process the data more easily. Furthermore, since this study is a preliminary research and its purpose is not to provide final results, quantitative data has been changed into qualitative information.

It should be considered that some of the participants might not have a marketing background. Therefore, questions on assessing the impact of counterfeiting on various brand and company elements may be misunderstood, because participants may understand specific brand management terms differently. For instance, the difference between brand identity and brand image may not always be obvious to non-marketing professionals.

4 ANALYSIS AND DISCUSSION

In this chapter, empirical statements and findings of this study are presented. Overall, the main objective is to examine the risks and tools associated with a brand protection program with the special focus of counterfeiting as a brand risk. These findings are structured in four sections: In the first section, respondents' level or risk tolerance is being assessed, as this may influence their perception about the impact of risk events on a brand caused by counterfeiting. Afterwards, in section 4.2, sectors are asked to define the meaning and structure of brand protection as well as to describe how to measure the impact of counterfeiting on brand reputation. ("What are the boundaries of a brand protection programme?"). This section is followed by risk identification and risk assessment of counterfeiting impacting brands ("What are the risks related to brand protection?"). At last, in section 4.4, it is explored if public statements regarding seizures of counterfeits should be considered as an additional tool in a brand protection program ("What tools can be used in brand protection?").

4.1 Assessing Participants' Risk Tolerance Level

Each event can be seen as an opportunity or as a risk. As a next step respondents were asked to evaluate the likelihood of counterfeiting having a positive and a negative impact on the brand. Figure 8 illustrates that all sectors perceive counterfeiting to have almost certainly or likely a negative impact on the brand and rarely or unlikely to have a positive effect. At a closer look, in comparison to marketing professors, companies are less likely to interpret counterfeiting as having a positive effect on the brand.

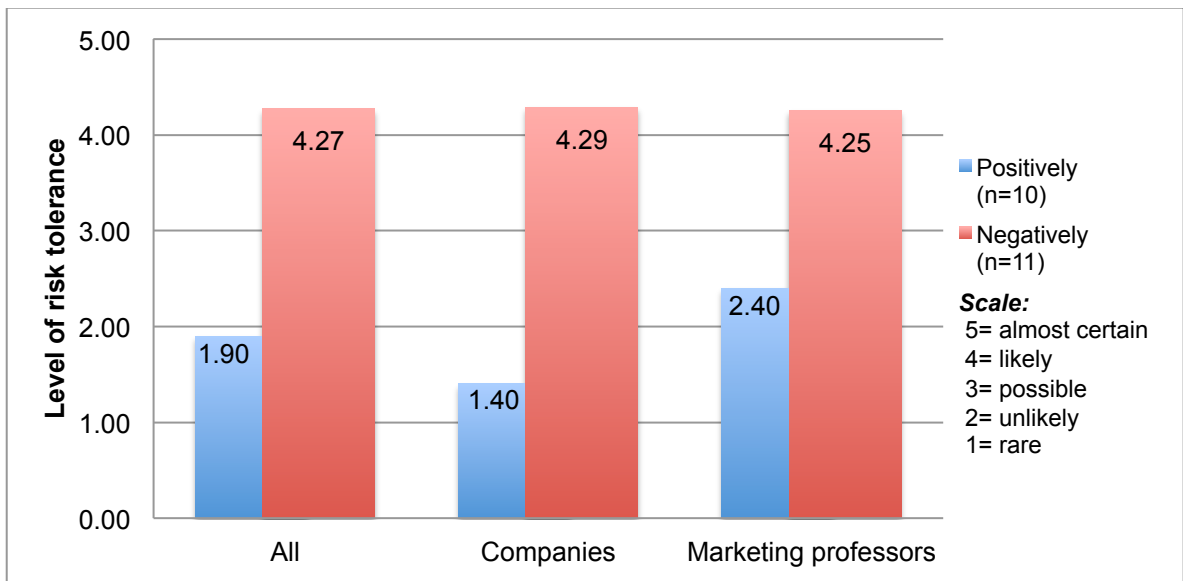


Figure 8. Positive and negative impact of counterfeiting on a brand perceived by sectors (in average)

As previously mentioned in Chapter 2, each organisation adopts its own level of risk tolerance that fits to its sector, culture and objectives. At a closer look at the data, it appears that respondents seem to share the same perception about the impact of counterfeiting on a brand. Hence, it could be concluded that also inside this focus group respondents are sharing the same level of risk tolerance. This finding is further supported in Chapter 4.3.2.

In light of the above findings, it seems logical to divide the focus group further into four subgroups. Each subgroup is named according to their accepted level of risk tolerance: *extremely low* risk taker (G1); *very low* risk taker (G2); *low* risk taker (G3); and *average* risk taker (G4). This is illustrated in Figure 9. Extremely low risk takers interpret the effect of counterfeiting on a brand to be almost certainly negative (5) and rarely positive (1) whereas low and average risk takers perceive it to be likely negative (4) and possibly positive (3). It can be assumed that, on one hand, extremely low risk takers possess a zero risk tolerance view and would take countermeasures whenever possible whereas, on the other hand, low and average risk takers have a higher risk tolerance and would take countermeasures only when necessary.

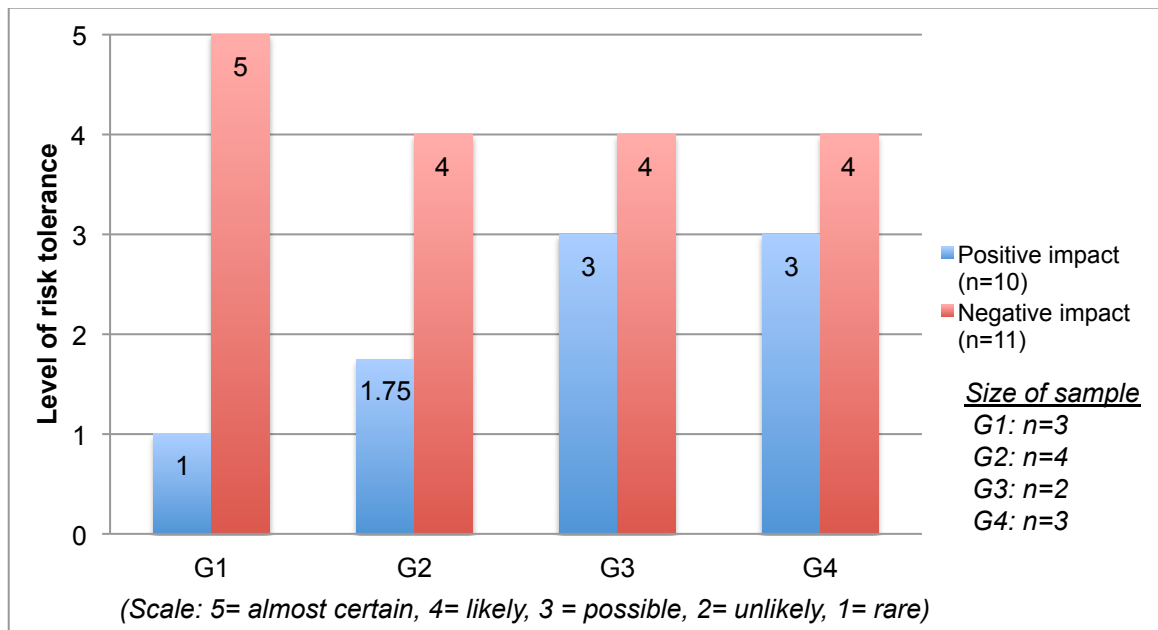


Figure 9. Positive and negative impact of counterfeiting on a brand perceived by subgroups (in average)

Respondents in G4 did not respond to either of the question if the impact of counterfeiting is positive or negative on a brand. Hence, these were grouped separately as these create outlier effects. In other words, results of group 4 should be considered prudently.

4.2 Examining the Boundaries of a Brand Protection Program

4.2.1 Definition of brand protection

Since none of the academic literature discusses or defines brand protection, this study explores various definitions of brand protection amongst sectors. Therefore, all sectors, companies and marketing professors, were asked to define the term “brand protection” and to describe which elements a brand protection programme should cover. It became apparent that each group had a different approach to define its meaning and understanding. It appears that whereas companies describe the principles of brand protection to be the protection of intellectual property rights, marketing professors’ define it to sustain brand equity and prevent unauthorised use of brand.

According to one of the Global Head Brand Protection Managers, brand protection programme is the same as anti-counterfeiting strategy. Brand protection deals with the risk of counterfeiting and illicit trade such as grey market and parallel goods. The same statement is supported by the definition provided previously in Chapter 1. Furthermore, a brand protection programme should cover various areas in the company like enforcement, legal, supply chain, marketing, PR, packaging & design, marketing, and a dedicated board representative. Others stated that a company should possess a strong trademark portfolio, include an enforcement and protection programme, offer training to law enforcement (customs, police, etc.) and monitor the Internet for infringing and rogue content. Some participants did not respond to this question at all. Could it be that they do not have a brand protection programme in place?

Marketing professionals, on the other hand, see brand protection from a brand management perspective. The objective of brand protection is to preserve brand value through legal and other means, to sustain a brand promise, and to take countermeasures for preventing brand counterfeiting as well as the unauthorised use of the brand in advertising. Brand protection is also “an ongoing process for measuring the [brand] variables that comprise brand equity”.

4.2.2 Measuring the effect of counterfeiting on brand reputation

As part of any strategy also brand protection programme should measure the impact of counterfeiting on a brand and the effectiveness of its enforcement action. However, as mentioned in Chapter 2.5.4, due to the illegal and hidden nature of counterfeiting, companies as well as governments experience difficulties in giving a clear and defined account on the amount of counterfeited goods and its value. There was no common response on this. Some of the participating companies suggest the following calculation methods:

“[...] by calculating the loss of licensing revenue plus adding the costs of possible lost business with a[n] authorised partner plus adding actual legal costs.”

“Sales increase; Consumer Polls; Awareness within law enforcement of the brand threat.”

In regards to sales increase, I do partly disagree, because there are many more factors than counterfeiting influencing sales figures. It would be difficult to state which factor precisely is really influencing the sales. It could be additional brands, a new product range or even more advertising in the territory.

The marketing professionals, on the other hand, took a research approach and advised the following:

“Through normal ongoing market research monitoring.”

“Talk to trade associations and customs officials.”

“Show people counterfeited products and ask what it does for the image of the brand. There is some positive effect on reputation (who again said: “I should be getting worried, when no one is aiming to copy our brand”).

“controlled experiments to isolate [] negative effects proper[t]y extrapolated to the field.”

4.3 Assessing the Risks Related to Brand Protection

The risk management process has already been outlined in Chapter 2.2. Here the focus is on assessing a range of events and consequences which might arise from a single risk, this time from counterfeiting. At first, sectors were to identify potential events and consequences that could affect brand image, brand trust and brand value negatively. Afterwards, an evaluation of a set of direct and indirect risk events would allow the identification of top three events which are perceived as having the most significant and negative impact on a brand and company’s business. By identifying those events possible solutions for mitigating, controlling or

eliminating such risk events and consequences may be found a brand protection program developed further.

4.3.1 Risk identification

Brand trust and brand image are important factors in order to establish customer loyalty and brand value. If a risk event impacts the brand trust negatively, it will most likely also have a negative effect on the brand image and, moreover, on the brand value. (Heberden, 2002)

Brand risks. In these findings, frequently stated risk events can be categorised into recurring themes, which are product and packaging design, product quality control process as well as negative media attention. If a **product or packaging design** would be *shoddy*, it would message to consumers that the product is of *inferior quality*. Furthermore, consumers may conclude that the genuine product is counterfeit.

Negative media attention could be achieved by improper handling of product recalls of harmful products that had already entered the market. In fact, in branding history, there have been several company cases facing product-related risks that resulted in company and/or brand reputation damage that was costly to repair, if remediable at all. For instance, in 2009, MacLaren two years after Maclaren's product recall of faulty strollers and its delayed response to product failure causing reaching the stage of a crisis, The damage to its brand was not remediable, consequently it had to file for bankruptcy. (Rastergar, 2011; Lattman et al., 2012)

One respondent also states that it is *difficult for the public to distinguish between genuine and counterfeit goods*. In my opinion, this is true as long as the goods are non-deceptive. When considering the amount of brands and products available on the market, it can be quite difficult for anyone who is not all too familiar with the brand to recognise the difference between genuine and counterfeit goods. Thus, assessing the legitimacy of a product online based on images would be more difficult for the public than touching the physical product and experiencing the product

quality. From my experience, also law enforcement faces the same dilemma, which can only be solved through regular training sessions.

Online risks. As mentioned earlier in the introduction of this study, the Internet is a new and public network channel used for marketing, distributing and selling counterfeits and, thus, it is one of the contributors to the growth of the counterfeiting industry. Since also companies are operating on the same channel, respondents were asked to identify the risks involved in a) selling products in online shops and b) using social media as a communication tool. From my experience, companies could face issues like selling of counterfeit products on e-shops and online advertisement of counterfeit products through social media.

Respondents identify *payment concern*, *fraud*, *brand experience*, and *fragmentation of whole distribution chain* as risk factors relating to online shops. Some of the issues, which the respondents mention, are broad terms and only assumptions to their specific meaning could be made. In the context of online payment, it could be assumed that **payment concern** refers to online payment security. In more detail, this could mean secure interception of credit card data or misuse of credit card details by the merchant. The term **fraud**, on the one hand, could mean that the online site is selling counterfeit products or the buyer is using a stolen card for his purchases. On the other hand, there are at least 30 types of online fraud (NFIB, 2015a; NFIB, 2015b) that could come into question. Thus, it would not be reasonable to develop a specific meaning for this term.

In regards to identifying risks for the use of the Internet as a communication tool on social media, respondents commonly perceived that brand rights holders would be *unable to control* their brand *message*, which may be also at risk of being twisted into *incorrect facts*. Furthermore, a *potential confusion* may occur regarding the *sources of communication*. One respondent confirms the above views by stating as follows:

“All social media seems to dilute the concepts of copyright and trademark. The new generation has limited knowledge and/or respect for IP rights. The

new media have made writing for the public an everyman's trade. Maintaining quality has become very tricky".

In aspect of the above findings, it seems clear that, in addition to a brand protection program, all companies should have also a social media strategy for each brand in place.

4.3.2 Qualitative risk analysis

Hereby, in this part of the study, the purpose is for respondents to evaluate a set of risk events and consequences caused by counterfeiting in order to identify the top three risk events that are perceived to impact a brand and a company negatively. Readers should bear in mind that qualitative risk assessments should be interpreted with care due to the descriptive nature of the results. These only provide support for further quantitative investigation instead of determining precise risks. Moreover, on the other hand, an interpretation problem may occur with events that have a very low likelihood, but a catastrophic severity. If the data is not treated correctly, this event may be ignored instead of being on the risk monitoring radar. (Garlick, 2007, p. 22-23) A way to solve this issue is to always prioritise events with the worst severity category despite of their likelihood category.

Brand variables at risk. Respondents are asked to rate the "likelihood of the impact of counterfeiting" on a scale of 1 (rare) to 5 (almost certain) and "severity of the impact of counterfeiting" on a scale of 1 (minor) to 5 (catastrophic) for brand variables that could be affected by counterfeiting. In order to prioritise risk issues that should be managed first, significance of risk was calculated by using the standard risk formula that was introduced in Chapter 2:

$$\text{Severity (S) x Likelihood (L) = Risk}$$

(Ilmonen, 2010, p. 107; Juvonen, 2005, p. 29)

The results in Table 7 indicate that specific brand variables are perceived to have a greater impact than others. Top three brand variables that are the most at risk of

being negatively affected by counterfeiting are listed in the table below. Each sector seems to agree that brand elements are at the highest risk of being infringed by counterfeiters. Thus, it should be of no surprise, as counterfeiters always try to copy or imitate a brand's product in order to trap consumers in believing that their merchandise is genuine. Also negative brand reputation is perceived by all sectors to be one of the top risks events or consequences.

Table 7. Analysis of risk events perceived by each sector (n=11, average)

Risk events	Significance (LxS)		
	All sectors (n=11)	Companies (n=6)	Marketing professors (n= 5)
Infringement of brand elements	15,93 (#1)	18,06 (#1)	13,44 (#1)
Negative brand association	13,32 (#2)	17,64 (#2)	9,60
Negative brand reputation	13,12 (#3)	15,33 (#3)	10,88 (#3)
Loss in consumers' brand trust	12,89	14,69	10,88 (#3)
Deterioration of brand image	12,57	13,44	11,56 (#2)
Loss in brand value	12,09	12,60	11,56 (#2)
Increase in brand awareness	10,50	12,16	8,96
Drop in brand positioning	10,41	10,56	10,24
Loss in consumers' brand loyalty	9,83	10,56	9,00
Loss in brand recognition	6,25	5,83	6,76

However, as mentioned in section 4.1, the focus group can be divided into four subgroups, according to their level of acceptance of risk tolerance. Figure 10 provides an overall view on the perceived impact of counterfeiting on the brand by all four groups in four bubble charts. Bubble charts are similar to risk matrices and used to report risk exposure. In this case, high-priority risks are plotted in the top-right-hand corner. The x-axis represents the perceived severity of risk events, the y-axis shows the perceived likelihood of risk events, and the size of each bubble refers to the calculated significance of risk events. The closer the risk event is plot-

ted to the top-right-hand corner, the higher it should be on the risk management list due to its significant impact value.

Figure 10. clearly illustrates that the respondents' evaluation is driven by their perception of counterfeiting and level of risk tolerance. For instance, extremely low risk takers (G1) evaluates the likelihood and severity of all risk events between 3 (possible / moderate) and 5 (almost certain / catastrophic); all bubbles are gathered at the top-right-hand corner. average risk takers (G4), on the other hand, evaluates the majority of risk events between 1 (rare / insignificant) and 3 (possible / moderate); the majority of bubbles are plotted in the centre of the chart.

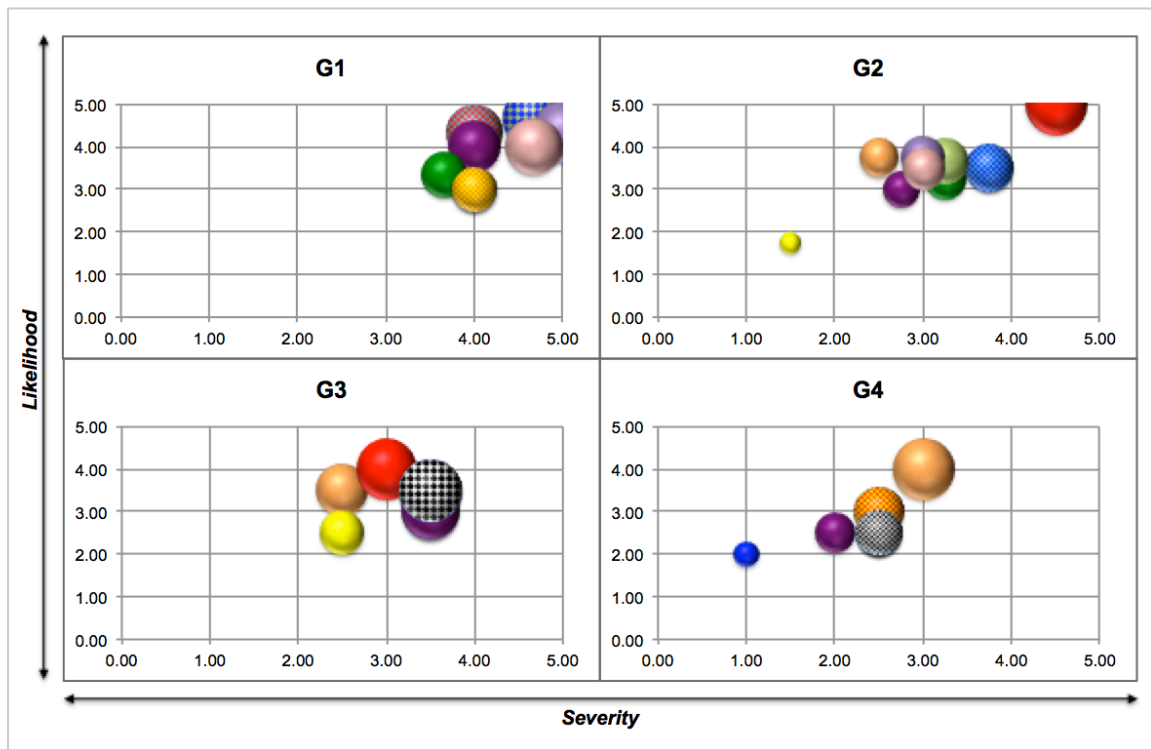


Figure 10. Risk tolerance of brand risks per subgroup (in average)

Table 8 displays the perceived significance of risk events by subgroups. According to G1, the top three risk events would be *negative brand association* (21.78), *negative brand reputation* (21.78), and *loss in consumers' brand trust* (21.67). In comparison to the other subgroups, it seems that G2 perceives *infringement of brand elements* (22.50) to be the most significant risk event followed by *negative brand association* (13.13) and *deterioration of brand image* (13.13) (see Figure 11.). G3,

on the other hand, does not seem to perceive counterfeiting as a critical risk factor for the brand, as its risk assessment is lower compared to the one of G1 and G2. This leads to the result that instead of top three risk events five had the same risk significance evaluation. These are *deterioration of brand image; drop in brand positioning; loss in brand value; loss in consumers' brand trust; and negative brand reputation (12.25)*.

Table 8. Top three most critical risk events perceived by subgroups (n=11, average risk significance)

<u>G1</u>		<u>G2</u>		<u>G3</u>		<u>G4</u>	
Negative brand association AND Negative brand reputation	21.78	Infringement of brand elements	22.50	Deterioration of brand image	12.25	Increase in brand awareness	12.00
		Deterioration of brand image	13.13	Negative brand reputation	12.25	Infringement of brand elements	7.50
Loss in consumers brand trust	21.67	Negative brand association	13.13	Loss in consumers brand trust	12.25	Loss in brand recognition	7.50
Loss in brand value	18.67			Drop in brand positioning AND Loss in brand value	12.25		

At the beginning of this section, it was suggested to prioritise events according to the worst severity category despite of their likelihood category. Figure 11 illustrates this point where G1 evaluated the risk significance of negative brand association and reputation to be greater than the one of loss in consumers' trust. However,

since the impact of counterfeiting on loss in consumers' trust is perceived to be more severe, it should be on a high priority.

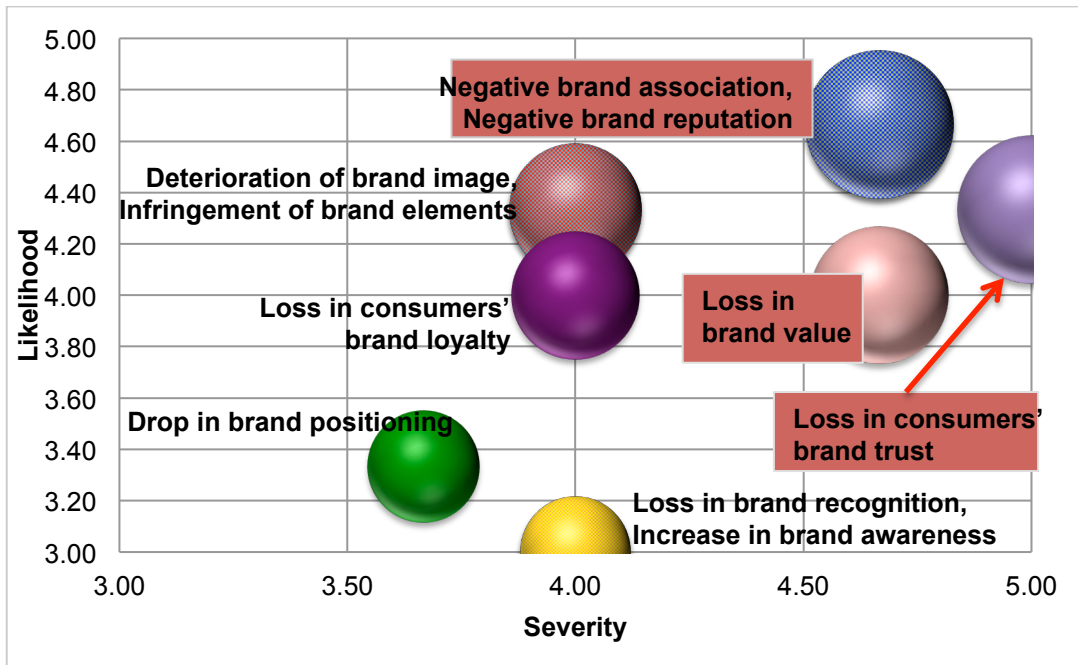


Figure 11. Risk assessment of brand variables by the extremely low risk takers (G1), (n=3, average)

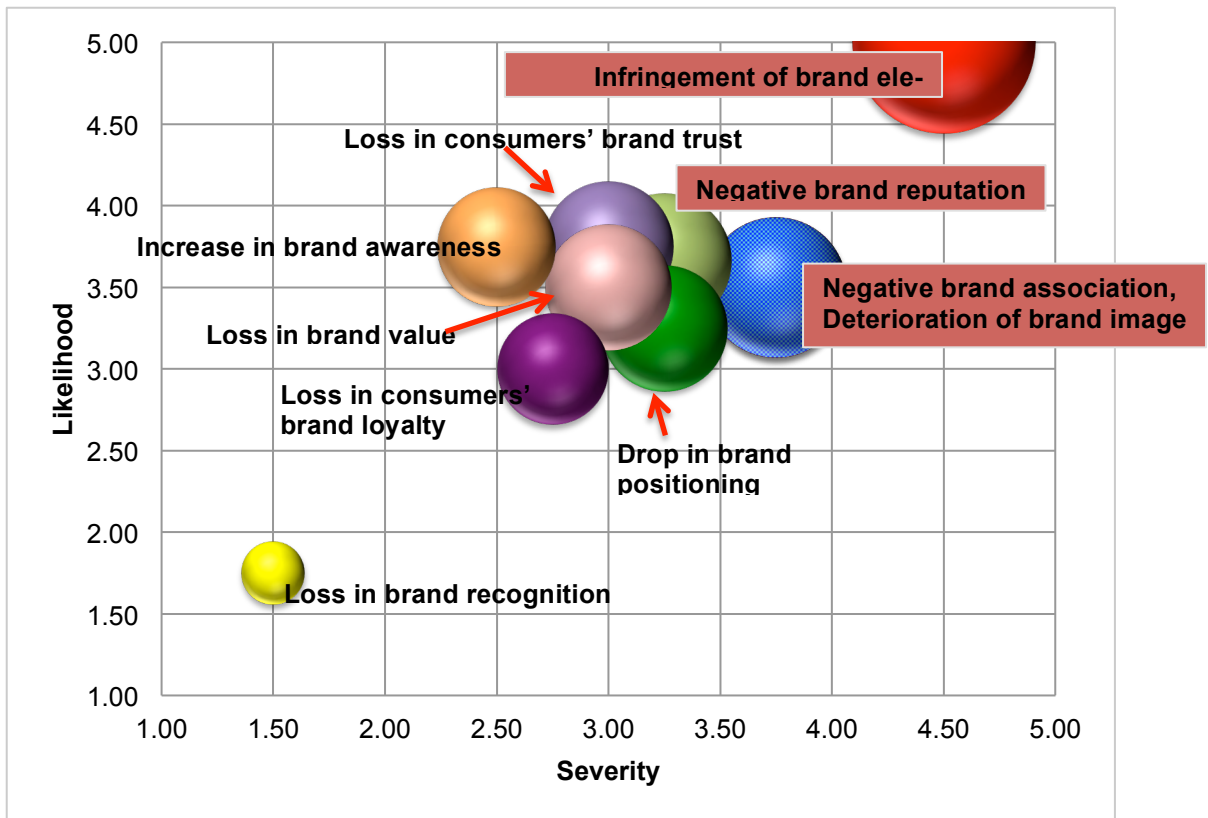


Figure 12. Risk assessment of brand variables by the very low risk takers (G2), (n=4, average)

Business and brand at risk. A similar risk assessment like the one above was made for risk events that often come up in literature. It is often stated that counterfeiting creates brand dilution, loss of revenue, and so forth. (Staake, 2008, p. 6) Also here respondents are asked to rate the “likelihood of the impact of counterfeiting” on a scale of 1 (rare) to 5 (almost certain) and “severity of the impact of counterfeiting” on a scale of 1 (minor) to 5 (catastrophic) but for risk factors that could affect a brand or company’s reputation.

Table 9 shows that each sector seems to agree that *rise in costs of protecting and enforcing IP* are the highest risk caused by counterfeiting. Also *increase in legal actions* is perceived by all sectors to be one of the top risks events or consequences. Companies also mention *damage to brand name & reputation*, and marketing professors list *loss of revenue*.

Table 9. Analysis of risk events perceived by each sector (n=11, average)

<i>Risk events</i>	<i>Significance (LxS)</i>		
	<i>All sectors (n=11)</i>	<i>Companies (n=6)</i>	<i>Marketing profes-sors (n= 5)</i>
Rise in costs of protecting and enforcing IP	18,55 (#1)	19,05 (#1)	17,81 (#1)
Increase in legal actions	16,48 (#2)	16,24 (#3)	16,88 (#2)
Loss of revenue	15,71 (#3)	16,00	15,00 (#3)
Damage to brand name & reputation	14,07	17,71 (#2)	9,00
Brand dilution	13,05	15,88	9,00
Competitive disadvantage	12,30	14,67	8,94
Loss of goodwill	11,64	13,33	9,00
Consumer safety & liability claims	10,09	11,31	8,25
Decrease in trusting retailers	9,27	9,95	8,25
Increase in product recalls	5,89	5,67	6,25

Figure 13. illustrates the same pattern of risk tolerance level as Figure 11. For example, the bubbles of G1 are mainly plotted in the high-risk area whereas the bubbles of G4 are spread across the whole chart.

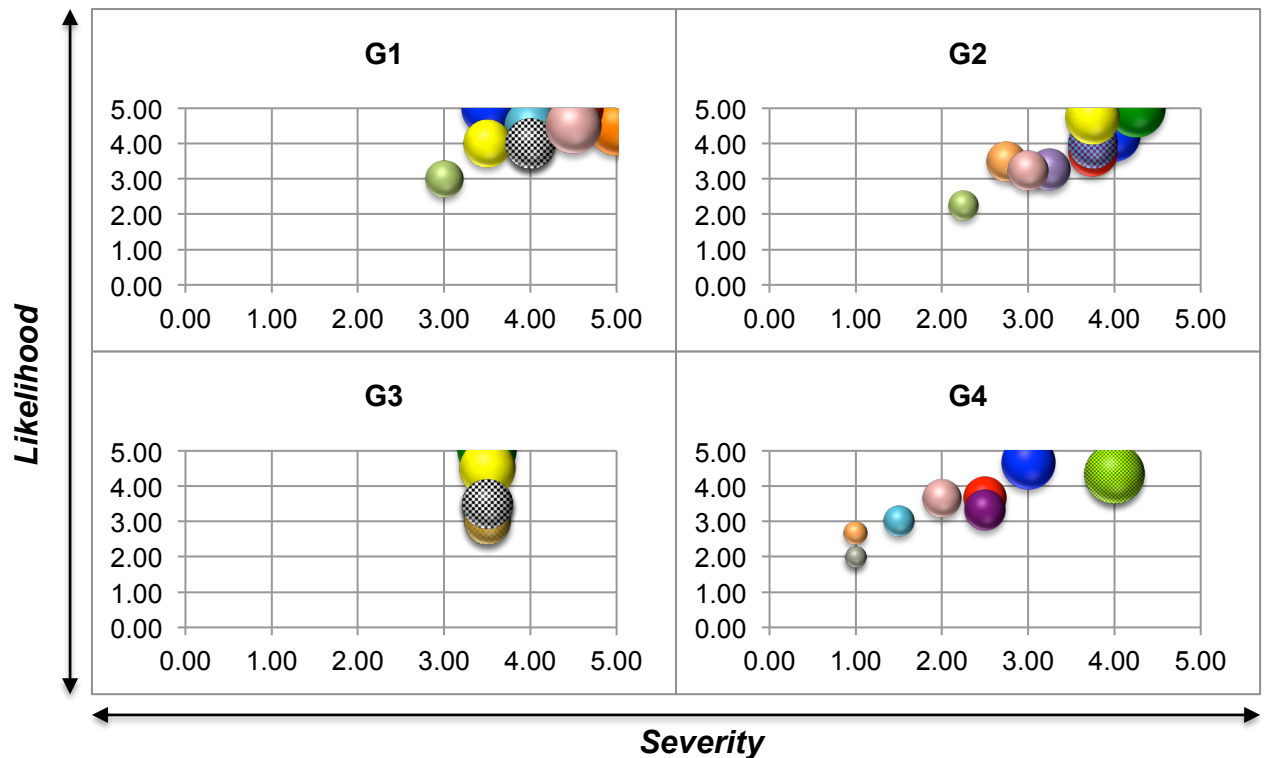


Figure 13. Risk tolerance of business risks per subgroup (in average)

Table 10 illustrates the significance of business and brand risk events perceived by subgroups. Here G1 lists *consumer safety and liability claims (22.50)*, *damage to brand name & reputation (22.50)*, and *loss of goodwill (20.25)* as the top three risk events. In comparison to G1, all other subgroups list *rise in costs of protecting and enforcing IP*, *increase in legal actions* and *loss of* as the top three critical risk events. Could it be that extreme low risk takers (G1) are strongly brand- and consumer-orientated whereas the other subgroups are more business- and finance-orientated?

Table 10. Summary of top three most critical risk events perceived per subgroup (n=11, average risk significance)

<u>G1</u>		<u>G2</u>		<u>G3</u>		<u>G3</u>	
Consumer safety and liability claims	22.50	Rise in costs of protecting and enforcing IP	21.67	Rise in costs of protecting and enforcing IP	17.50	Rise in costs of protecting and enforcing IP	17.33
Damage to brand name & reputation	22.50	Increase in legal actions	17.81	Increase in legal actions	15.75	Increase in legal actions	17.33
Loss of goodwill	20.25	Loss of revenue	17.00			Loss of revenue	14.00

Group G1 perceives *consumer safety and liability claims* and *damage to brand name & reputation* as major risk outcomes followed by *loss of goodwill*. For instance, as in the case MacLaren mentioned in Chapter 4.3.1, a company could face **damage to its brand name and reputation**, if consumers are faced with an **unsafe product** (Rastergar, 2011; Lattman et al., 2012). This could also be the case that consumers believe a particular item to be genuine while it is a deceptive counterfeit item. This item is harming various children and adults and people complain over social media and even file a complaint at the consumer safety group. In consequence, a company's **goodwill may suffer** by its status dropping, decrease in revenues, decrease in market share, and so forth. In order to prevent this, it is

recommended for the company to have a crisis management strategy in place in which various scenarios are thought through and what actions should be taken when this is the case. In order to prevent such situation, product quality assurance tests should be conducted on a regular basis and the supply chain should be controlled. A company may also loose its brand name and reputation when it keeps on promising specific features and cannot actually implement those.

As mentioned earlier, G2, G3 and G4 identified *rise in costs of protecting and enforcing IP, increase in legal actions, and loss of revenue* as the three highest risk outcomes for a company caused by counterfeiting. As stated in Chapter 2, enforcing IP and taking legal actions are one of the four main pillars of a brand protection program. Loss of revenue may occur in various forms. Firstly, along with the rise of legal and enforcement costs, a company will have greater expenditure and the financial growth of a company may be hindered. Secondly, companies may loose out on sale, if their product is being substituted by counterfeit goods (Staake, 2008, p. 125-126).

In order to gain a better understanding on the type of risks involved in counterfeiting, the author has adopted David Abrahams' (2008, p. 21-31) concept of brand risk model by categorising the top risk events according to the six components - identity risk; presence risk; equity risk; reputation risk; status risk; and market risk- in Table 11. It appears that the majority of risk events are related whether to a brand's equity or reputation.

Table 11. Risk events categorised according to brand risk model developed by David Abrahams (Figure 3.)

Risk component	Brand risk	Business risk
Identity	<ul style="list-style-type: none"> - Infringement of brand elements - Deterioration of brand image 	- Damage to brand name & reputation
Presence	<ul style="list-style-type: none"> - Negative brand association - Increase in brand awareness - Loss in brand recognition 	
Equity	- Loss in brand value	<ul style="list-style-type: none"> - Loss of revenue - Rise in costs of protecting and enforcing IP

Risk component	Brand risk	Business risk
Reputation	<ul style="list-style-type: none"> - Negative brand reputation - Loss in consumers' brand trust 	<ul style="list-style-type: none"> - Increase in legal actions - Damage to brand name & reputation - Loss of goodwill - Consumer safety & liability claims - Increase in legal actions
Status	- Drop in brand positioning	
Market		<ul style="list-style-type: none"> - Consumer safety & liability claims - Increase in legal actions

4.4 Assessing Available Tools in Brand Protection

Here, the objective of the question is to find out if companies should use public statements as a tool in brand protection to their advantage in which the amount of confiscated counterfeit goods is being publicised. Would this have a positive or negative impact on the company?

During my working experience, I have noticed that it is not common practise for companies to publish information or provide statements on successful seizures of counterfeits. Public statements are usually given by customs and law enforcement involved in those cases. However, would it be useful for companies to use PR for sharing their success in the fight of counterfeiting in addition to traditional technological solutions like holograms?

Only eight respondents answered this question; three are from a company and five are marketing professors. Therefore, there is a chance of disparity in the findings which may influence and falsify the results. These findings are not depicted by subgroup, because there was no indication that the level of risk difference would influence these; these rather varied between sectors instead of subgroups.

All respondents despite of their risk tolerance level share the same opinion that, if a company were to state publicly the amount of confiscated counterfeited goods, this would increase public awareness on counterfeiting as an illegal trade, and it may convey a positive message to shareholders and investors by informing them

that the company is taking actions against counterfeiting in order to protect its brand.

The majority of respondents believe that it would not increase consumers' motivation to buy more fakes, but instead increase public awareness of the negative effects when purchasing counterfeits and encourage consumers to inform companies about counterfeiters. One of the marketing professors disagrees with this statement. The reason could be that the public will not necessarily look out for such information unless they are loyal fans who want to support their brand and ensure its future success, or they would not necessarily know to differentiate between genuine and counterfeit goods. Furthermore, unless the consumer is motivated to protect its favourite brand, why would he put time and effort into informing companies about such malpractice unless he receives a concrete reward? In addition, one company alone cannot influence the purchase behaviour of all consumers, who may not be aware of the negative effects of purchasing counterfeited products if the public statement does not clearly say so.

The results also show that only one company representative believes that the provision of public statements could act as adverse publicity for the company and damage corporate/brand reputation.

Responses received for the question on the use of public statements in order to communicate to licensees that cooperating with the company is profitable are the most controversial amongst sectors. The majority of marketing professors do support this idea whereas companies, on the other hand, do not. The difference in such beliefs could be due to the fact that companies have to market and sell their brands and products/services to licensees so that an end of a deal can be closed. When a potential licensee, however, finds out that he needs to compete with counterfeiters in the same market and in the same product range this deal would not necessarily be closed. A counterfeiter would be an additional competitor of the licensee. The company should protect its licensees by ensuring that their goods are being offered on the market instead of their profit being eaten by counterfeited goods. Marketing professors, on the other hand, may believe that such actions are

positive, because sharing such information would show licensees that the licensor is investing its resources into protecting its brand and their licensees' business.

If a company were to state publicly the amount of confiscated counterfeited goods, this will...

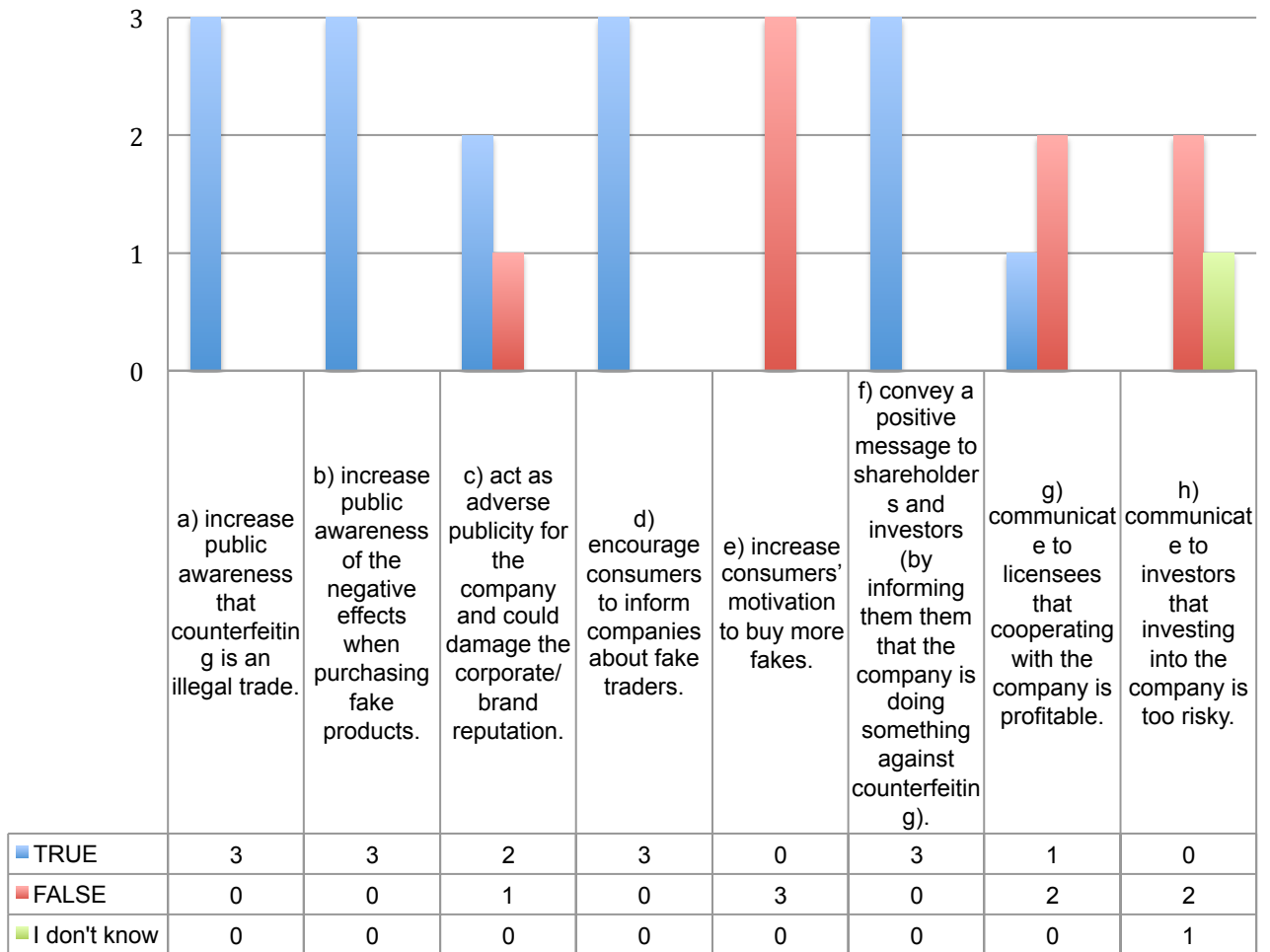


Figure 14. Evaluation by companies (n=3)

If a company were to state publicly the amount of confiscated counterfeited goods, this will...

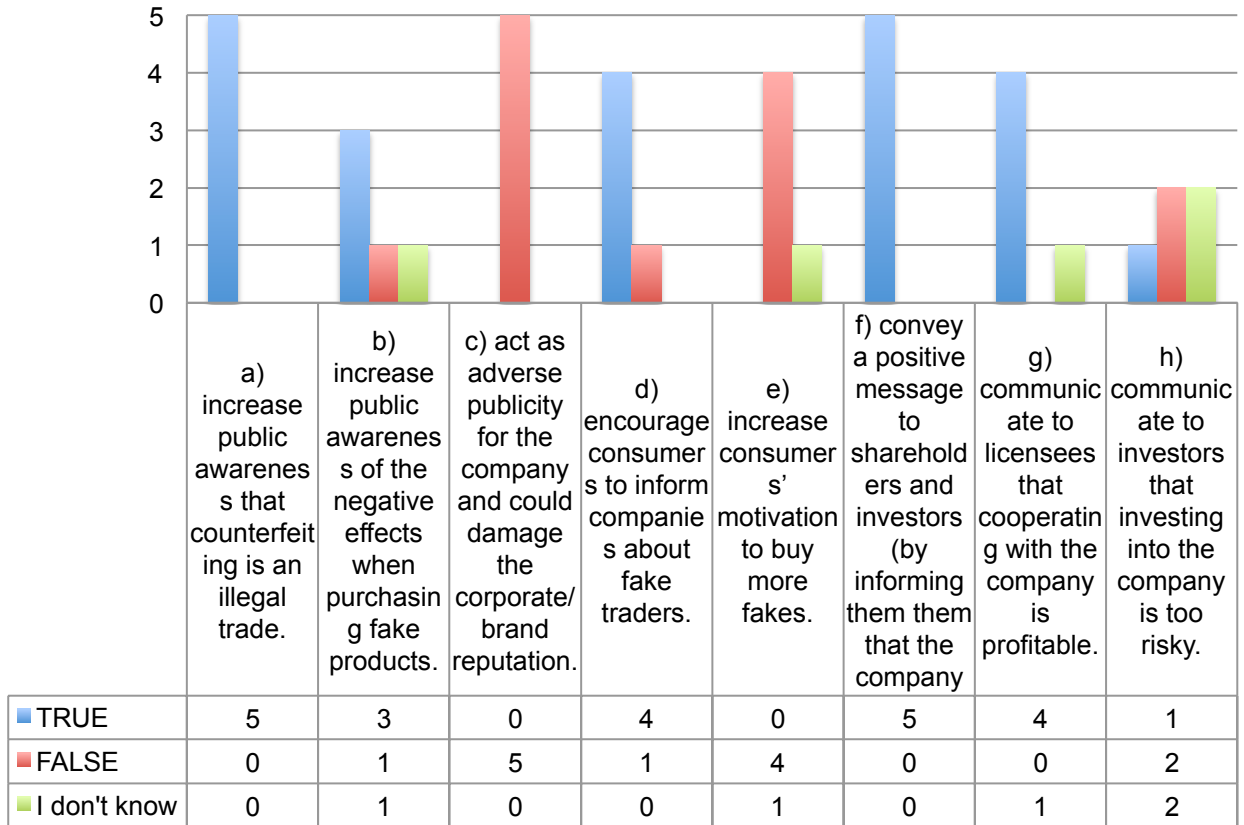


Figure 15. Evaluation by marketing professors (n=5)

In overall, the results show that all respondents believe that providing such public statement can have a positive effect on consumers and stakeholders in various ways. However, companies may decide not to publish such statements, as they might want to avoid or mitigate the risk of facing deterioration of brand image or negative brand reputation. By allowing customs and law enforcement to publish those statements instead, both stakeholders would share the success. In addition to this, such arrangements may even serve better as a warning for counterfeiters and consumers than if companies were to share their pain about tackling counterfeiters in the press. In my working experience, I have noticed that companies usually do not want to be associated with counterfeit goods or do not want to admit that they have such problems in the belief that consumers would reject the brand. Furthermore, companies could face the risk of media twisting information on the counterfeit case in order to attract more readers, which could lead to negative rep-

utation of the brand and company. Despite of the positive reception to use public statements as an additional tool in a brand protection program, I suggest that further research should be conducted on this topic.

5 CONCLUSIONS AND IMPLICATIONS

This chapter describes the results obtained in the theoretical and empirical part of this study.

5.1 Conclusions

The purpose of this qualitative study was to explore the framework of brand protection by understanding its principles implemented in companies operating in various sectors, the risk implications of counterfeiting on a brand and company as well as available tools in brand protection for modifying those risks.

12 of 20 participants, which were selected through purposive sampling, completed an internet-mediated questionnaire of qualitative and quantitative nature. 6 of 18 questions were related to risk assessment in which likelihood and severity of risk impact, with the focus of counterfeiting being the risk, was evaluated.

At first, participants evaluated the positive and negative impact of counterfeiting on a brand. During data analysis, four patterns were identified in this sample illustrating the risk tolerance level and forming four subgroups as per the table below.

Table 12. Risk tolerance level per subgroup

Group	n	Positive	Negative	Description
G1	3	Rare	Almost certainly	Extremely low risk taker
G2	4	Unlikely	Likely	Very low risk taker
G3	2	Possible	Likely	Low risk taker
G4	3	Possible	Likely	Average risk taker

In general, it appears that the level of risk tolerance is fairly even distributed in this sample.

Next participants provided information on their definition of brand protection and what elements should be included in a brand protection programme. In view of

previously identified risk attitudes, it could not be stated if a difference in employing those principles exists due to insufficient responses. However, there was a clear difference in focus between companies and marketing professors. Whereas companies were focusing on enforcing their IP rights, marketing professors were considering brand protection from the brand management perspective. Hereby, this situation actually confirms Abrahams statement about the gap between need for non-marketers to learn brand literacy while marketers should learn about risk literacy.

The second objective was to identify three top risk outcomes caused by the impact of counterfeiting. Since each subgroup had a different risk attitude and recognised different top risks, a single conclusion could not be drawn. Hence, all top three risks identified by each subgroup were categorised with the means of the brand risk model (Figure 3.), developed by David Abrahams. The results were that brand equity and reputation were the highest ranked risk types.

The last objective was to see if media could be alternatively an additional brand protection tool for companies. It appeared that the level of risk tolerance did not influence participants' responses but rather their comprehension on brand and risk literacy. Companies were whereas marketing professors seemed to support this "new" tool. However, companies perceived that using such tool could also act as adverse publicity for the company and could possibly damage the brand or company reputation.

In summary, whatever the view is on brand protection, its objective is to protect the intellectual property and brand from various risk factors like counterfeiting. In addition, despite of risk tolerance level, brand equity and reputation are the most vulnerable assets of a company if it or its brand experience risk issues caused by counterfeiting. Furthermore, the results on whether media should be introduced as an additional brand protection tool are not conclusive. Hence, further should be conducted.

5.2 Theoretical Contributions

In the theoretical part of this study (Chapter 2), when assessing brand risk in the context of Abrahams brand risk model and following the fundamental steps in risk management – risk identification, risk analysis, risk evaluation, risk treatment, and risk monitoring and reviewing – it came to the author’s realisation that the starting point for a brand risk assessment in risk management and brand risk management is different compared to brand protection. In brand protection, scenarios are created from the specific situation that the existing risk is or will be infringing or misusing the exclusive intellectual property right of brand right holders and assess how this risk will impact the whole company and its business structure. In brand risk management though, scenarios are built on any event impacting the brand.

It should be noted that each company possess its own level of risk tolerance because of its culture, business model, brand’s popularity and life cycle.

5.3 Managerial Recommendations

It is important for the reader to bear in mind that the risk threats presented in this study are mainly focused on counterfeiting. In addition, it should be noted that each company possess its own level of risk tolerance because of its culture, business model, brand’s popularity and life cycle. Hence, the tools presented in this study are merely suggestions.

5.4 Limitations and further research ideas

This study is limited by participants’ opinions, attitudes and previous experience. Therefore, in order to eliminate any discrepancies in results, a similar study should be conducted. However, one of the criteria should be that the same participants are contacted several times in this study. The suggested time would be every six months or once a year depending on the product seasonality and industry over a two or three years period.

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WIPO - International Bureau of WIPO WIPO 2015. What is Intellectual Property? WIPO Pub. No. 450, June 2003.

WCO - World Customs Organization WCO 2013. Illicit Trade.

APPENDICES

Appendix 1. Introduction letter of this study targeted at company representatives.

Questionnaire on Brand Risks and Brand Protection

Background

I am a Masters student at Lappeenranta University of Technology (Finland). This questionnaire is part of my Master thesis. The objective is to understand the impact of counterfeiting on brands, and exploring various countermeasures that are available to companies.

Please note that your brand or company name can be excluded from this study, if you wish. This can be indicated by placing a checkmark in the second box of the last question. All such requests will be honoured. Please fill the attached questionnaire out as completely as possible. The estimated response time is 40 minutes.

If you have any questions regarding this study, please feel free to contact me:

Ms. Laura Lepeska

E-mail: laura.lepeska@lut.fi

THANK YOU FOR YOUR PARTICIPATION!

Appendix 2. Questionnaire (for company representatives or marketing professors).

QUESTIONNAIRE ON BRAND RISKS

RISK ASSESSMENT

1. Please state your name and title OR please shortly describe your job role and in which industry your company is operating?

2. How likely is it that a brand is affected positively by counterfeiting/piracy?

Likelihood:

- 1 = **Rare** (may occur only in exceptional circumstances)
- 2 = **Unlikely** (could occur at some time),
- 3 = **Possible** (might occur or should occur at some time),
- 4 = **Likely** (will probably occur in most circumstances),
- 5 = **Almost certain** (is expected to occur in most circumstances).

1 2 3 4 5
Rare Almost certain

3. How likely is it that a brand is affected negatively by counterfeiting/piracy?

Likelihood:

- 1 = **Rare** (may occur only in exceptional circumstances)
- 2 = **Unlikely** (could occur at some time),
- 3 = **Possible** (might occur or should occur at some time),
- 4 = **Likely** (will probably occur in most circumstances),
- 5 = **Almost certain** (is expected to occur in most circumstances).

1 2 3 4 5
Rare Almost certain

4. Please estimate how *likely* counterfeiting/piracy might affect brand variables in the following ways:

Likelihood:

- 1 = **Rare** (may occur only in exceptional circumstances)
- 2 = **Unlikely** (could occur at some time),
- 3 = **Possible** (might occur or should occur at some time),

4 = Likely (will probably occur in most circumstances),

5 = Almost certain (is expected to occur in most circumstances).

	Rare	Unlikely	Possible	Likely	Almost certain
Negative brand association	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Increase in brand awareness	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Infringement of brand elements (e.g. logo, name, design)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Deterioration of brand image	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Loss in consumers' brand loyalty	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Drop in brand positioning	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Loss in brand recognition	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Negative brand reputation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Loss in consumers' brand trust	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Loss in brand value	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

5. Please estimate how severely counterfeiting/piracy might affect brand variables in the following ways:

Severity:

1 = Insignificant (Insignificant impact; little disruption to normal operation; low increase in normal operation costs)

2 = Minor (minor impact for small population; some manageable operation disruption; some increase in operation costs)

3 = Moderate (minor impact for large population; significant modification to normal operation but manageable; operation costs increased; increased monitoring)

4 = Major (major impact for small population; systems significantly compromised and abnormal operation, if at all; high level of monitoring required)

5 = Catastrophic (major impact for large population; complete failure of systems)

	Insignif- icant	Minor	Moderate	Major	Cata- strophic
Negative brand association	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Increase in brand awareness	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Infringement of brand elements (e.g. logo, name, design)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Deterioration of brand image	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Loss in consumers' brand loyalty	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Drop in brand positioning	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Loss in brand recognition	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Negative brand reputation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Loss in consumers' brand trust	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Loss in brand value	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

6. Please identify general threats and uncertainties which could affect a *brand's image* negatively.

7. Please identify general threats and uncertainties which could affect *brand trust* negatively.

8. Please identify general threats and uncertainties which could affect *brand value (equity)* negatively.

9. What type of risks can you identify with the use of the Internet as a(n)...

9a) Communication tool (social media)

9b) Online shop

10. Counterfeiting/piracy can affect certain brand variables negatively. Please rank the brand variables (see below) according to their vulnerability.

Vulnerability scale:

1 = Most vulnerable...

2 = Least vulnerable

	1	2	3	4	5	6	7	8	9
Brand association	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Brand awareness	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Brand identity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Brand image	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Brand loyalty	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Brand position	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Brand recognition	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Brand trust	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Brand value	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

11. Please evaluate the following statements.

If a company were to state the amount of confiscated counterfeited goods, this will...

	TRUE	FALSE	I do not know
a) increase public awareness that counterfeiting is an illegal trade.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b) increase public awareness of the negative effects when purchasing fake products.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c) act as adverse publicity for the company and could damage the corporate/brand reputation.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
d) encourage consumers to inform companies about fake traders.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
e) increase consumers' motivation to buy more fakes.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
f) convey a positive message to shareholders and investors (by informing them that the company is doing something against counterfeiting).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

- g) communicate to licensees that cooperating with the company is profitable.
- h) communicate to investors that investing into the company is too risky.

12. How can the effect of counterfeiting/piracy on brand reputation be calculated/measured?

13. Please define "brand protection".

14. Which elements should be included in a brand protection strategy?

15. Which challenges does the entertainment and media industry face in fighting counterfeiting/piracy (e.g. lack of resources)?

16. Please evaluate the likelihood of the risks (see below) due to counterfeiting/piracy.

Likelihood:

1 = Rare (may occur only in exceptional circumstances)

2 = Unlikely (could occur at some time),

3 = Possible (might occur or should occur at some time),

4 = Likely (will probably occur in most circumstances),

5 = Almost certain (is expected to occur in most circumstances).

	Rare	Unlikely	Possible	Likely	Almost certain
Loss of revenue	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Consumer safety & liability claims	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Damage to brand name & reputation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Competitive disadvantage	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Brand dilution	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Rise in costs of protecting and enforcing intellectual property rights	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Increase in legal actions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Increase in product recalls	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Decrease in trusting retailers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Loss of goodwill	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

17. Please evaluate the likelihood of the risks (see below) due to counterfeiting/piracy.

Severity:

1 = Insignificant (Insignificant impact; little disruption to normal operation; low increase in normal operation costs)

2 = Minor (minor impact for small population; some manageable operation disruption; some increase in operation costs)

3 = Moderate (minor impact for large population; significant modification to normal operation but manageable; operation costs increased; increased monitoring)

4 = Major (major impact for small population; systems significantly compromised and abnormal operation, if at all; high level of monitoring required)

5 = Catastrophic (major impact for large population; complete failure of systems)

	Insignif- icant	Minor	Moderate	Major	Cata- strophic
Loss of revenue	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Consumer safety & liability claims	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Damage to brand name & reputation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Competitive disadvantage	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Brand dilution	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Rise in costs of protecting and enforcing intellectual property rights	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Increase in legal actions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Increase in product recalls	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Decrease in trusting retailers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Loss of goodwill	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

18. Do you have any further comments?

Appendix 3. Results

Q.2 – Q.3

	Q.2 Positive effect			Q.3 Negative effect		
	Frequency	%	Cumulative %	Frequency	%	Cumulative %
Rare	4	40%	40%	0	0%	0%
Unlikely	3	30%	70%	0	0%	0%
Possible	3	30%	100%	1	9%	9%
Likely	0	0%		6	55%	64%
Almost Certain	0	0%		4	36%	100%
Total	10	100%		11	100%	
Missing	2			1		
Average Rating	1,90			4,2		

Q.4& Q.5

Table 4a. Evaluation of risk events by all sectors (n=11, average)

ALL	Severity	Likelihood	Significance
Infringement of brand elements	3,73	4,27	15,93
Negative brand association	3,70	3,60	13,32
Negative brand reputation	3,55	3,70	13,12
Loss in consumers' brand trust	3,55	3,64	12,89
Deterioration of brand image	3,55	3,55	12,57
Loss in brand value	3,50	3,45	12,09
Increase in brand awareness	3,00	3,50	10,50
Drop in brand positioning	3,27	3,18	10,41
Loss in consumers' brand loyalty	3,09	3,18	9,83
Loss in brand recognition	2,55	2,45	6,25

Table 4b. Perceived significance of risk events by subgroup (n=11, average)

Events	Significance			
	G1	G2	G3	G4
Negative brand association	21,78	13,13	10,50	2,00
Negative brand reputation	21,78	11,92	12,25	6,25
Loss in consumers' brand trust	21,67	11,25	12,25	6,25
Loss in brand value	18,67	10,50	12,25	6,25
Deterioration of brand image	17,33	13,13	12,25	6,25
Infringement of brand elements	17,33	22,50	12,00	7,50
Loss in consumers' brand loyalty	16,00	8,25	10,50	5,00
Drop in brand positioning	12,22	10,56	12,25	6,25
Increase in brand awareness	12,00	9,38	8,75	12,00
Loss in brand recognition	12,00	2,63	6,25	7,50

Q.4 – Q.5

Negative brand as- sociation		Q4. Likelihood				Q5. Severity			
		Frequen- cy	Percent	Valid Percent	Cumula- tive Per- cent	Frequen- cy	Percent	Valid Percent	Cumula- tive Per- cent
Valid	Insignificant	0	0%	0%	0%	1	8%	10%	10%
	Minor	1	8%	10%	10%	0	0%	0%	10%
	Moderate	4	33%	40%	50%	2	17%	20%	30%
	Major	3	25%	30%	80%	5	42%	50%	80%
	Cata- strophic	2	17%	20%	100%	2	17%	20%	100%
	Total	10	83%			10	83%		
Miss- ing		2	17%			2	17%		
Total		12	100%			12	100%		

Increase in brand awareness		Q4. Likelihood				Q5. Severity			
		Frequen- cy	Percent	Valid Percent	Cumula- tive Per- cent	Frequen- cy	Percent	Valid Percent	Cumula- tive Per- cent
Valid	Insignificant	1	8%	10%	10%	0	0%	0%	0%
	Minor	0	0%	0%	10%	3	25%	30%	30%
	Moderate	3	25%	30%	40%	5	42%	50%	80%
	Major	5	42%	50%	90%	1	8%	10%	90%
	Cata- strophic	1	8%	10%	100%	1	8%	10%	100%
	Total	10	83%			10	83%		

Miss- ing		2	17%			2	17%		
Total		12	100%			12	100%		

<u>Infringement of brand elements</u>		<u>Q4. Likelihood</u>				<u>Q5. Severity</u>			
		Frequency	Percent	Valid Per- cent	Cumulative Percent	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Insignificant	0	0%	0%	0%	0	0%	0%	0%
	Minor	0	0%	0%	0%	1	8%	10%	10%
	Moderate	2	17%	20%	20%	3	25%	30%	40%
	Major	4	33%	40%	60%	5	42%	50%	90%
	Catastrophic	5	42%	50%	110%	2	17%	20%	110%
	Total	11	92%			11	92%		
Missing		1	8%			1	8%		
Total		12	100%			12	100%		

Q.6 – Q.8

Participants	Brand image	Brand trust	Brand value (equity)
C1	Inability of public to distinguish genuine products from counterfeits.	Inability of public to distinguish genuine products from counterfeits. Uncertainty as to company taking stance against counterfeiters.	Uncertainty as to company taking stance against counterfeiters.
C3	Shoddy design and packaging.	Negative media attention; harm to consumers.	Inferior quality.
M1	Negative word-of-mouth.		
M2	The whole lack of quality control, servicing, etc. can erode consumer trust and harm the brand.		
M3	Bad behaviour by the brand owners, such as reducing quality, misleading packaging, misleading advertising etc. Lack of investment and failure to continuously improve the brand are also significant, especially actions such as reducing promotion during a downturn.		
M4	Adverse publicity (Shell: Brent Spar) Association with non-intended target groups (Burberry: hooligans) Rise of a 'hipper' brand in the same category (Walkman -> iPod).	Too much focus on non-reciprocal benefits (equity disbalance).	See answers in brand image and brand trust.
M5	Product recall, excessive bonuses.		

Q.9

Participants	a) Communication tool	b) Online shop
C2	All social media seems to dilute the concepts of copyright and trademark. The new generation has limited knowledge and/or respect for IP rights. The new media have made writing for the public an every man's trade. Maintaining quality has become very tricky.	The risks become very big since the whole distribution chain is so fragmented.
M1	Incorrect facts about brand.	Payment concerns.
M2	Potential confusion as to sources of communications.	Fraud.
M3	All brands have to have a rational social media strategy.	