

Brand Identity: How the Russian Company Pallet Trucks Used Public Relations Strategies to Protect its Business and the German Brand Pfaff-Silberblau in Russia

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Business researchers have recently expressed interest in the concepts of brand identities and buyers' motivations to buy counterfeit products. However, they have mostly focused on the voluntary purchases of fake fashion items, perfumes, alcoholic beverages and other consumer goods when customers know or suspect that the product is fake. Counterfeit alcohol is a relatively new phenomenon around the world, but it has been traditional in Russia (Gil et. al., 2009; Kotelnikova, 2017). Fastoso, Bartikowski, and Wang reveal the connection between narcissism, luxury brand consumption, brand loyalty and proneness to buy counterfeits (2018, p. 522). Their findings highlight the need for marketers to understand narcissistic targets more clearly in order to develop successful strategies to foster brand loyalty and diminish counterfeit consumption. Researchers describe the growing demand for counterfeit luxury brands and identify the psychological and emotional insights that "both drive and result from the consumption of higher involvement counterfeit goods and uncover the coping strategies related to unethical counterfeit consumption" (Bian et al, 2016, p. 4249). Wearing high-end brands allows consumers to position themselves with certain social characteristics. Therefore, the desire for these brands has opened up a market for counterfeited versions and fashion brands have contributed to the development of counterfeited brands (Juggessur and Cohen, 2009, pp. 383-384).

Meanwhile, there has always been a stereotype that fake industrial equipment is too complex to be produced. Therefore, there is a gap in the research literature about counterfeit industrial equipment and what the company can do in addition to (or instead of) legal proceedings while in many countries there are no well-established legal systems that guarantee a high level of brand protection or that system is corrupted and does not work. Many companies still prefer trademark litigation and the research shows that "a win results in better long-term performance" (Ertekin, Sorescu and Houston, 2018, p. 63) even though there is a short-term negative stock market reaction when a trademark infringement lawsuit is filed. The fact of the lawsuit reveals the negative information about significant revenue losses and investors react negatively. Meanwhile, Han et al. (2010, pp. 15-17) find that inconspicuous brands are less likely to be counterfeited. From a consumer behaviour perspective, inconspicuous brands can help to defuse potential malicious envy (Belk, 2011, p. 120), for if the brand is not recognised by lower status viewers as being an expensive luxury, they can hardly feel envious at all (Eckhardt, Belk and Wilson, 2015, p. 810). This is a solution that fashion brands may utilize to fight counterfeit products - they can offer inconspicuous goods.

This research describes how two companies, a German manufacturer and Russian retailer, partnered to combat a crisis when competitors started selling fake copies of the manufacturer's "brand" equipment. The original material was collected for a business case study prepared by Yuliya Melnyk and Moushumi Anand (Melnyk and Anand, 2006). Pfaff-silberbau is an established international company, headquartered in Germany (currently a part of Columbus McKinnon companies, USA), that manufactures lifting and handling equipment. Pallet Trucks, at the time, was its exclusive Russian vendor. Fake lifting and handling equipment was produced in a Chinese factory and sold in Russia under the Pfaff-silberblau brand name. As the counterfeit equipment began to cause profit losses and decreased customer confidence in their brands, the companies worked together proactively and protected their brands, using public relations techniques.

This research reveals how public relations can be used to protect a brand in some countries when legal avenues are not feasible. Nowadays, Russian media report on a regular basis about discovered fake elevators, hospital equipment, gas heating equipment and others. It is a difficult time for brands nowadays. Premium product and service brands are under continuous attack from lower-priced competition (Upshaw, 1995, p. 316). Customers who are not informed well enough about quality frequently choose the less expensive offering.

Co-branding can be a very successful strategy if "the resultant entity has a value greater than the value of the component parts" (Boad & Blackett, 1999, p. 9). Co-branding is a term that applies to many types of marketing activities involving at least two brand names. If the partners are well matched, the product

or service becomes better and the both brands benefit. Co-branding is a useful tool when a brand enters a new market. The German company Pfaff has existed since the 19th century. The company “Pallet Trucks” was created in Ekaterinburg, Russia, in 1996. The partnership with Pfaff-silberblau was finalized in 1999, giving Pallet Trucks exclusive representation of the “Pfaff-silberblau” in Russia (Shchepilova, 2005). By September 2001, when the crisis occurred, Pallet Trucks had managed to acquire 27% of the market share in lifting and handling equipment (Shchepilova, 2005). Pallet Trucks became the biggest company in the lifting and material handling segment in Russia, both in terms of the volume of sales and its geographic reach all around Russia.

Lifting and material handling equipment (used mostly in retail stores when delivery occurs) comprises machinery such as shifting skates, Kingmate material elevators, etc, most of which are imported to Russia. When the imported equipment is produced legally in China under the western brand, western specialists certify the factory, and the product has all necessary certificates, for example, ISO and others. In September 2001, Pallet Trucks discovered that the market was flooded with fake copies of the lifting and handling equipment of its German partner Pfaff-silberblau. Uncertified factories in China were producing low-quality machines and small Russian firms were selling them at 30% lower prices to Russian customers. Pallet Trucks realized the Pfaff brand was being pirated after certain firms advertised sales of Pfaff-silberblau’s equipment. Since Pallet Trucks was, at the time, the exclusive representative of Pfaff-silberblau equipment, the management realized that the advertised equipment was either acquired through dubious means or was fake. To determine which was the case, representatives of Pallet Trucks bought samples of the counterfeit equipment to determine its quality. The findings of the experts were clear: the equipment was fake.

Surprisingly, it turned out that it was not difficult to organize production in China. The Pallet Trucks and Pfaff-silberblau CEOs made the decision to use public relations strategies instead of filing lawsuits against several Russian firms, selling the fake equipment. In Russia, the situation is that the official law can take a long time to resolve cases and appeals. Even having proof that competitors were selling counterfeit equipment might not be enough to win the case.

The immediate problems facing the two partners were profit loss and the blot on their reputations. Negative word-of-mouth about equipment quality was causing serious harm to sales. Users of the products were telling potential customers about the product’s failure. Although it is impossible to illustrate how the crisis financially affected the company, as the Russian stock market had not yet been formed and profit information was officially confidential, this research is based on the analysis of Russian and German websites, trade magazines, an interview with Galina Shchepilova, the public relations director of Pallet Trucks, Moscow, and copies of the corporate newsletter of Pallet Trucks.

A press conference was organized in ExpoCentre, Moscow, Russia, in November 2001. This is the biggest annual exhibition of equipment in Russia. The idea to organize the press conference about the low quality fake equipment was a new strategy in Russia at that time. The President of the German company Pfaff-silberblau, Heinrich Pfaff, arrived at the exhibition in Moscow and made a presentation about the company and its products. Otto Miller, the main engineer of Pfaff-silberblau with 30 years of experience, made a presentation at the conference. Furthermore, a few Russian journalists were invited to visit the Pfaff-silberblau plants, one of the main German exhibitions of equipment in Hanover, Germany (Hannover Messe, April, 2002) and attend the exhibition in Frankfurt, Germany (Frankfurt Messe, April, 2002).

During the public relations campaign, the main decisions were: 1) to respond quickly to the situation at hand; 2) to change the attitude of the market participants; 3) to successfully segment editors and journalists (trade publications, information agencies, business editions); 4) to invite Heinrich Pfaff and Otto Muller to Moscow and organize a press conference; 5) to continue to develop a brand image of Pallet Trucks after solving the problem. The main objectives were: to let people know that fake products were being sold; to describe the value of the genuine brand; and to protect the brands and reputations of Pfaff and Pallet Trucks. The reduced quality of the fake equipment was described in the official documents and the information was used at the press conference announcing the problem.

Furthermore, the company decided to find partners to jointly enter the exhibition. It selected companies that were its indirect competitors in the market. It was done in order to create a trade group, or non-commercial partnership, in the future. The goal of the trade group is to cooperate with other market participants in order to reach non-official agreements and establish rules on the market segment of lifting and handling equipment. The “Business for Business” trade group has worked in several directions: market research and analysis, educational programs, advertising and public relations, informational and legal support, lobbying, etc. Pallet Trucks used opportunities at exhibitions, trade

magazines, and presentations to create awareness about its brand and the value of the high-quality products.

The Pallet Trucks company not only addressed the problem by using PR techniques but also used the crisis as an opportunity to attract new customers. Public relations not only creates the brand but also protect it, especially when legal avenues are not a viable option. The case of Pallet Trucks /Pfaff-silberblau shows an effective, efficient, and economical way to protect the brand and increase revenue. Since 2001 both companies have had many changes. In 2011, the Russian company stopped promoting the brand Pallet Trucks and switched to a Russian name "Tekhnika dlya sklada" ("Warehouse Equipment" - <http://www.tdtds.ru>). The German company Pfaff-silberblau became a part of Columbus McKinnon companies in 2008.

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