Kaisa Kuusinen

BRAND OWNERS' AWARENESS OF BRAND INTEGRITY

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Tämän opinnäytetyön tarkoitus on selvittää mitä brändin eheys on, kuinka tietoisia brändin omistajat ovat siitä ja miksi se on elintärkeä osa nykypäivän globaalia liike-elämää. Tässä opinnäytetyössä kerrotaan väärennösten ja harmaiden markkinoiden seurauksista niin brändin omistajan kuin yhteyskunnan näkökulmasta. Opinnäytetyö toteutetaan Starcke Oy:n toiveesta, joka on suomalainen graafisiin erikoisratkaisuihin ja brändin suojaus teknologiaan erikoistunut yritys.

Opinnäytetyö on jaettu teoria- ja empiiriseen osaan. Teoriaosassa keskitytään brändin eheyden käsitteeseen ja seurauksiin jos siihen ei kiinnitetä yrityksissä tarpeeksi huomiota. Empiirisessä osassa keskitytään brändin omistajien tietoisuuteen brändin eheydestä.

Teoriaosuus esittelee kohdeyritys Starcke Oy:n, selittää käsitteitä jotka ovat tärkeitä aiheen ymmärtämiseksi, kuten brändin suojaus, brändi ja brändäys. Painopiste on yritysten näkökulmassa, mutta myös kuluttajan näkökulmaa käydään läpi. Kuluttajan näkökulmasta käydään läpi mm. sitä, mitä vaaroja väärennökset tuovat jokapäiväiseen elämään ja sitä miten piratismi liittyy järjestäytyneeseen rikollisuuteen. Lopuksi teoriaosa selventää joitakin yleisiä työkaluja joita brändin eheys- johtamistyyli tarjoaa yrityksille.

Empiirinen osa koostuu laadullisesta tutkimuksesta liittyen brändin omistajien tieto-tasoon brändin eheydestä. Tutkimus toteutettiin lähettämällä kysely tarkkaan valituille tunnetuille suomalaisille yrityksille, mm. Aarikka ja Kuusamon Uistin vastasivat kyselyyn. Empiirisenosan tarkoitus on syventää teoriaosuutta ja tutkia suomalaisten yritysten toimia liittyen brändin eheyteen. Tutkimuksen populaation ja näyte ovat melko pienet ja lähestymistapa on tämän vuoksi enemmän laadullinen kuin määrällinen.

BRAND OWNERS' AWARENESS OF BRAND INTEGRITY

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The purpose of this thesis is to explain what brand integrity (BI) is, brand owners awareness of it and why is it essential part of doing business in today's global markets. This thesis will explain the consequences of counterfeiting and the grey markets both from the perspective of the brand owner as well as the society. This thesis is done for Starcke Oy, which is a company specialized in graphical special effects and brand protection technologies.

The thesis is roughly divided in to two parts which are: theoretical and empirical. The theory part will explain the concept and reason behind brand integrity management, whereas the empirical part will explore brand owners awareness of BI-management.

The theoretical part will introduce the case company Starcke Oy, explain concepts that are important in understanding brand integrity, such as brand protection, brand and branding. The main focus is on the effects that occur for brand owners, but the effects to consumers are talked about throughout the thesis, by explaining the dangers it causes in peoples everyday lives and how closely counterfeiting and grey markets are linked to organized crime. Finally the theoretical part goes through the key risks areas and explains some of the general tools which BI-management offers.

The empirical part is a qualitative research of brand owners' awareness of brand integrity. It is realized by sending a questionnaire to some well-known Finish companies such as Aarikka and Kuusamon Uistin. It aims to explore more deeply what is the level of awareness amongst companies. The population and sample are rather small, which enables more in-depth approach.

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CONTENTS

1 INTRODUCTION

I have previously worked for Starcke Oy as a summer employee and in January I began working there part time. Altogether I have spent quite a lot of time with the company, so I am quite familiar with their way of doing business and their values. Starcke Oy is a Finnish company that is specialized in brand protection and graphical special effects. Starcke's products and services give brand owners and their clients the tools to protect the originality, authenticity and safety of their brands, products and services.

Starcke Oy is managed by its two founders Ari-Veli Starcke, Chairman of the Board, and Milla-Riitta Reunanen, Executive Director. Both Mr. Starcke and Ms. Reunanen have been very positive about me doing this thesis for their company and it was their wish to make a thesis about brand integrity (BI). This thesis consists of two parts: theoretical and research part. Theoretical part will introduce the concept of brand integrity and other concepts relevant to understanding BI. The research part will be executed by conducting an online survey to some of Starcke Oy's clients as well as some prospects.

What is brand integrity? This is something that most companies are unfamiliar with, but a subject that is becoming more and more important in the global markets. The idea from the management was to focus on finding out how well in general companies are aware of brand integrity and how intellectual property right (IPR) issues are taken care of in companies. When approaching this matter, it is important to understand what brand or branding actually is. Sometimes people confuse a product with a brand, even though this is not the case. This is where many brand owners go wrong when trying to manage brands. Sometimes even companies with well established brand do not realize the difference. Business people need to know the concept to be able to promote it.

I received the subject for my thesis already in fall2013, but due to other school work and because of difficulties to approach the subject, the actual thesis process begun in January 2014.

2 PROBLEM SETTING AND CONCEPTUAL FRAME OF REFERENCE

2.1 Research problem and objectives

The purpose of this thesis is to research brand owners' awareness of brand integrity and to explore the importance of it in the running of business operations. The research problem or opportunity is: How aware brand owners are of brand integrity and about its importance in running their business operations? From this point of view and with the help of the conceptual frame of reference the objectives started to take their form. These objectives were then further divided between the theoretical part and the practical part.

The questions and objectives that will be answered in the theoretical part:

- What is brand and branding?
- What is brand integrity?
- What are the legal possibilities for protecting products and brand?
- What are the main brand risks?
- What is the difference between legal and illegal trade?
- What is the difference between grey markets and counterfeit products?
- What are some of the tools of brand integrity?
- Why is good brand integrity management important in global markets?

In the empirical part the following objectives will be researched:

- Is the concept of brand integrity familiar to companies and brand owners'?
- Do companies have the need to protect the integrity of their brand?
- How is it managed in companies, or is it being managed at all?
- How aware companies are about brand/ product risks?
- Have companies encountered brand integrity issues?

2.2 Conceptual frame of reference

The first version of the conceptual frame of reference made for this thesis explains the effects of bad or good brand integrity management. The thought behind it was: If good brand protection tools are in use, the less profit loss will occur for the company. This graph is good when it comes to explaining the consequences of bad or good BI management.
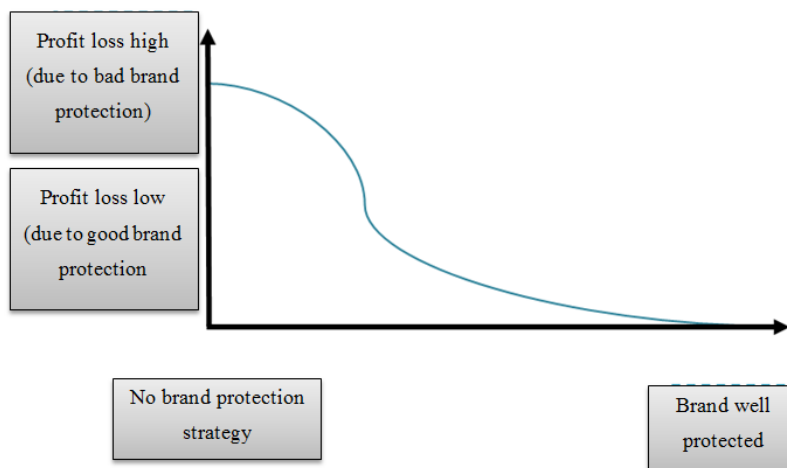
Figure 1. Brand Integrity, conceptual frame of references: concequances

As mentioned this graph is great for explaining the consequences, but it does little to open up the concept of brand integrity. As the subject came more familiar and the outline of the thesis began to form, a new conceptual framework was developed. The aim of the conceptual frame of reference is to explain more holistically what brand integrity is, not only the consequence of it if it is well taken care of or not. In this thesis the following conceptual frame of reference will be used:
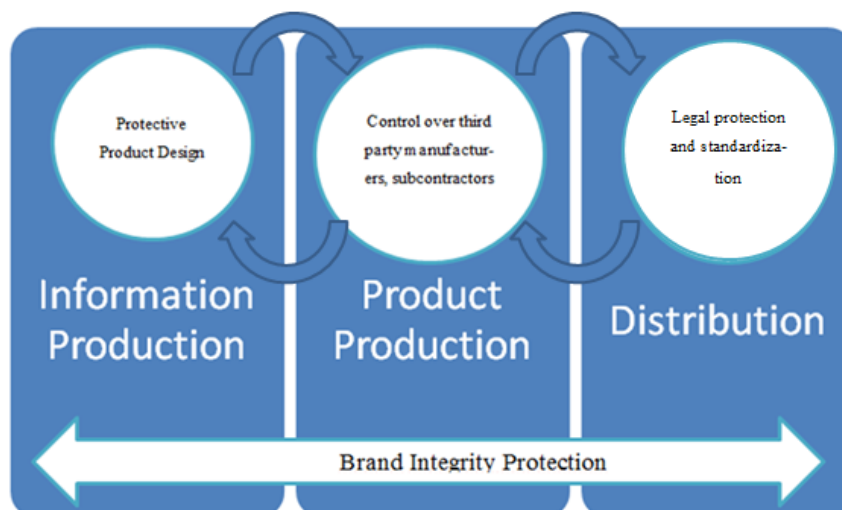
Figure 2 Brand Integrity, Conceptual fram of reference

This graph illustrates that brand integrity protection needs to start from the information production and be continuous all the way to product production. It needs to go through the whole product lifecycle with no gaps, whether it is R&D- related, patent pending, patent, production or distribution related. Brand integrity needs to be approached very holistically and good business processes and policies to operate the company need to be in place. This means motivating employees as well as managing the product lifecycle. (Post & Post 2007, 36-37.)

3 BRAND, BRAND PROTECTION AND THE CASE COMPANY

Starcke Oy is a Finnish company that is specialized in brand protection. They combine graphical special effects to brand protection technology, so that brand owners and their clients can be sure about the origin, authenticity and safety of their products. Starcke Oy has 30-years of experience in their field and that has made them leading specialists and pioneers– both in Finland as well as internationally.

Starcke's special graphical solutions help increasing the differentiation level, attractiveness, and the informational value of the brand. With the protection techniques and services that Starcke Oy offers, it is possible to prevent and defend efficiently both internal and external risks. This means also protecting the brand throughout the

entire value chain – from the idea to manufacturing and from manufacturing to retailer and to the end user.

Starcke Oy works both directly with brand owners and as a subcontractor for various design and advertising agencies, the graphic sector and the packaging industry. Starcke Oy has cooperation with the world's leading experts so they have a first-hand advantage to the latest trends and expertise in the field of brand protection. Starcke Oy's expertise has been recognized with numerous domestic and international awards.

As their mission, Starcke Oy names improving their clients' business by increasing brands desirability and value by using graphical post – processing and brand protection. For Starcke Oy, quality is most important factor in doing business.

At Starcke's core competence there are Holograms, Foiling, Hot Foiling, Multiple level Embossing and Foil Embossing. In recent years Starcke Oy has invested a lot in RFID-technology. They have the equipment for e.g. to check the functionality of RFID-tags and simultaneously encoding them. They also do Numbering, Running Numbering, bar codes and 2D codes. Later I will go through these techniques in more detail. (Website of Starcke Oy 2014.)

3.1 Brand

Branding has been around for centuries in different forms. The way we understand the word brand these days, is quite different from the original meaning of the word. The original meaning of the word was "to burn" and it was used by the owners of livestock when they were marking their animals for identification. This procedure is still called branding.

The American Marketing Association (AMA) determines brand as "name, term, sign, symbol, or design, or a combination of them, intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competition." This means that a new brand is created whenever a new name, logo, or symbol for a product is created. (Keller 2008, 2-3.)

Brands have a big role in indicating certain product features to the customers. Brand may be used as a differentiation strategy if the product cannot be distinguished from others by its noticeable and tangible features. There are three major categories in classifying products and their associated attributes: search goods, experience goods, and credence goods. With *search goods* like groceries, the consumer can evaluate product attributes by visual inspection. *Experience good* attributes are not so easily evaluated by looking at them. They are the type of goods that need a trial and experience to be able to judge the usefulness, safeness or quality of the product. With c*redence goods*, like insurance coverage, it is almost impossible for the consumer to get an insight on the product attributes. With credence goods, brand is especially important indicator of quality and other qualities that the consumer is looking for.

One product is not a brand but a brand can be created around the product or group of products. Branding or creating a brand is a complicated process but it is open for everyone and it does not require a multinational company to succeed in. No matter how complicated process branding is, the goal is rather simple: it aims at creating and developing a special identity for a company, product, commodity, group or person. A brand is supposed to present to the greater audience the carefully chosen qualities that the brand owners want the brand to represent. (Keller 2008, 8; Pandey 2010, 11; Levine 2003, 1-15; Knapp 2000, 1-20.)

3.2 Branding

Branding is a process that should have a brand as a result. As mentioned earlier, branding is a complicated process. The creation of a brand can be divided into three parts or components: Advertising, Marketing and Public relations. All of these aspects need to work successfully as an independent component, but syncing them together is very important.

Advertising is the most obvious part of these three components or at least the most visible one. Advertising is for this reason very important. The more known a brand is the more it will spent on advertising, and when companies grow bigger the more they will have to spend on advertising. A huge part of brand is creating an identity. Through advertising, the company is trying to showcase this identity, which makes

advertising very important; if it is done poorly, the consumers will get the wrong message and understand the identity that the company is trying to create wrong. Wrong image is much harder to fix than to create a new one from scratch. It would set back the process of branding, since advertising is one of the last things in chain of events. Before advertising there needs to be a lot of thinking about what is the image or the identity that the company or brand owner wants the public to receive.

Marketing is a rather invisible part in the process of branding, since it is a lot more than just creating advertisement. Before there can be a brand, there needs to be a product or a service. After this a bridge needs to be created between the product or service and the recognizable brand. The tool for this is marketing. The difference between advertising and marketing is that through advertising the consumers and public finds out about a certain product or service and marketing is what happens before that and determines what the public will discover. It determines how the product should be received and an important part of this is to determine suitable audience for the product. Marketing determines what is marketed and to whom. It is important to identify the target demographic, make sure that the product or service marketed fits this demographic properly and then emphasize the features that are most appealing to this specific group of people.

Public relations (PR) is the most difficult part of the three stages as it needs to be as subtle as possible. The difference to marketing and advertising is that PR is trying to attract attention through media. It does not create an advertisement or a scheme of what it is that the company wants the public to see. In PR there is the knowledge of how the brand owner wants to be perceived and the PR people try to get the company mentioned in the news, papers or online in such context that it is beneficial to the image. Understandably this is easier said than done. PR needs to seem effortless. If some news is perceived as a PR stunt it is not as successful and it may in fact do more harm than good. (Levine 2003, 1-15.)

3.3 Brand protection

Distance between markets and manufacturing sites is getting bigger and bigger. This makes counterfeiting, backdoor manufacturing and illegal trade a major problem for

brands. Whilst counterfeiting and not being able to authenticate own products are brands' worst enemies, illegal trade has become a genuine threat to the means of nations and to the well-being of their citizens'. Illegal trade brings down dozens of companies every day and puts an end to hundreds of thousands of jobs each year.

Starcke Oy offers brand owners many value-added solutions that can be implemented at any point of the value chain. Usually, these may be used to monitor stock balances, product movements in the subcontracting chain or real-time sales figures in a given outlet, just to name a few. The solutions allow the use of online information on consumer behaviour, helping brand owner to react fast to the needs of specific markets. (Website of Starcke Oy 2014.)

3.4 Graphic special effects and technology

The design of printed products and packaging will make products stand out. With graphical special solutions it is possible to enhance the attractiveness and informational value of products and packages. (Website of Starcke Oy 2014.) In this part some of the tools of Starcke Oy are introduced.

Holograms
From banknotes and payment cards, holograms have made their way to packaging and printed products. Because it is rather difficult to forger holograms, they are often used in products that are vulnerable for forgery to ensure the safety of these products. When holograms are combined with security seals, this makes the goods even more tamper evident. In fact, Starcke Oy is world's oldest operating hologram business, so their know-how and array of holograms is one of the widest. (Website of Starcke Oy 2014.)

Foiling, hot foiling
Foiling means a procedure where a sheet of metal is attached on top of printed product. Foils are available in numerous different colours. They can have glossy or matt finish or different holographic effects. In addition to these there are special foils like scratch-off foils that are familiar for the majority of us from lottery tickets. Foils can

also obtain such trades that make them very difficult to forger. (Website of Starcke Oy 2014.)

Embossing, multiple level embossing and foil embossing

With embossing it is possible to create individual and diverse sculptures on paper. Embossing can be executed on paper raised, sunken or in multiple levels. Well implemented technique requires the right quality paper, careful planning and expertise. As with the other techniques, also embossing is difficult to copy and counterfeit. (Website of Starcke Oy 2014.)

Printed codes and numbering

Numbering, barcodes and 2D- codes make products and packages easier to trace, identify and authenticate. By reading the codes that have incorporated background system to them; the brand owner can get detailed information about the product all along the supply chain. The same code can also be used at the consumer level – in marketing, product information and after sales. The reading and background systems are done in cooperation with partners that have expertise in this field. High-resolution inkjet printers are used in printing the codes and number sequences and machine vision technology is used in quality monitoring. (Website of Starcke Oy 2014.)

RFID technology

Products can be attached with RFID-tags that consist of microchips and antenna. This makes the identification code remote readable. With some help from the background system the RFID- tag can be used in enhancing the traceability, authentication level and product information level. The reading distance can vary from 10 meters to touch reading. Identifiers that are meant for close reading, like NFC, can also be read with smart phone applications. RFID-tags are encoded in safe production facilities in Eura. Finland. The background system is done together with reliable partners. (Website of Starcke Oy 2014.)

Laminating

The purpose of laminating is to protect the printing surface from external factors, such as moist and UV-rays. Traditionally clear- and matt-laminates are used but soft-

touch- laminates can be used as well. Also hologram- and other special-laminates can be used. (Website of Starcke Oy 2014.)

4 BRAND INTEGRITY

When talking about brand integrity, it is important to understand that brand integrity is not the same thing as product protection. Rather, these two concepts complement each other. In the theory part of this thesis, the concept of brand integrity is combined with product protection. This way the theory part will offer much more profound explanation for brand integrity. In the book Global Brand Integrity Management (Post & Post 2007), brand integrity is described as follows: "Those strategies, processes, features, designs, and business practices that ensure the integrity of products intellectual property, reputation, image and shareholder value." (Post & Post 2007, 3.) This book is the main source in this thesis, as it is one of the few written about brand integrity.

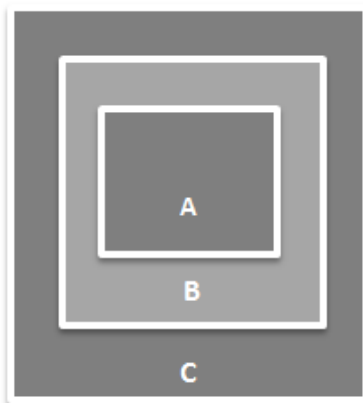| The Layers Of Brand Integrity |
| --- |
| **A – Core** |
| • Brand
• Product
• Patents
• Copyright
• Trade secrets |
| **B - Layer 1** |
| • Involved Employees & Management
• Information Security
• Policy/ Best Practices
• Good Management Practices
• Personnel Security
• Physical Security |
| **C – Layer 2** |
| • Patent enforcement
• Anti-Gray Market
• Anticounterfeiting
• Proactive Crisis Management
• Aggressive response to Threats / Attacks |

Figure 3. The Layers of Brand Integrity (Post & Post 2007, 30)

The other sources used are generally about intellectual property, brand and product protection and about black markets and counterfeiting.

Protecting intellectual property is essential for the very existence of brands. If long term investments cannot be protected, there is no motivation for making them. When you consider how vital intellectual property rights (IPR) are for companies, it is alarming that they are not treated with more importance. In fact brand protection is often just shovelled to the legal departments and no more consideration is given to the matter even though brand protection should be at the very core of business decision making.

Some researches indicate that only about 1 per cent of sales turnover is spent on brand protection and 10 per cent of companies do not have any budget put aside for brand protection. The same research indicates that approximately 31 per cent keeps the same budget for brand protection each year even though it is evident that brands are becoming more and more important. By not protecting what is theirs, brand owners leave themselves vulnerable for attacks. They jeopardize their competitiveness and equity; they will lose profit and their costs increase. Counterfeits are no longer just a threat for luxury brands like Luis Vuitton, Chanel or Gucci. Everyday consumer goods are at risk. (Jolly & Philpot 2004, 131-134; Website of WHO 2014.)

Sometimes the case is that the ones illegally using someone else's trade name or making counterfeits do not see anything morally wrong with doing so. These people may feel as if they are trying to make a living like anybody else. They do not consider the inevitable damage they are causing for the original equipment manufacturer (OEM). The employees may not feel that loyal to their employers, and thus sell secrets to get some extra money. The reason may also be purely cultural: it is known that majority of counterfeit markets are happening in Asian countries, where the attitude towards counterfeiting is not that strict.   In some cultures copying is rather seen as a sign of respect: the product or brand is so respectable that it is copied. In general the attitudes towards counterfeits in Asia are rather neutral, which also leads to large markets for counterfeits. The main reason behind counterfeit business is that there is a market for it. (Onkvisit & Shaw 1997, 446-452.)

4.1 Illegal trade and the difference between counterfeit goods and gray markets

If the knock of markets were a business, it would be the biggest business in the world as it would be twice as big as Wal-Mart. The markets for counterfeiting have never been better. Manufacturing sites have spread all around the globe and these manufacturing sites are producing goods for the western markets, legally and illegally. There are many different kind of names used when talking about illegal trade. The terms used most in this thesis are grey market goods and counterfeit goods. The difference may not be evident so the following aims to create a clear distinction between the two. It is impossible to say how much counterfeiting there is in the world, because the only statistics that can be made about counterfeits are from the ones that get caught as criminals do not provide any information of their own. Most of the illegal activities never get noticed, as the customs officers cannot open every parcel, van, lorry and container that go over the boarders. According to World Customs Organization the trade in fakes based on the ones that have been caught is currently worth at least $512 billion. In 1984 the same figures were approximately $5.5 billion. The increase in fakes since the 1980's has been extreme. (Phillips 2005, 3-9; Website of ICC 2014)

4.1.1 Counterfeit goods

Counterfeit goods are not genuine. They are copies of the product, and they usually do not have the same level of quality that the genuine products have and therefore they may present some safety concerns. Lack of quality of counterfeits also may cause reputation problems if customers cannot differentiate between the genuine products and the fake ones. However, people often are aware that they are buying counterfeits, but settle for lesser quality for "better" price. Counterfeiting is criminal in all levels. In fact, counterfeiting is closely associated with organized crime. (Phillips 2005, 3-9; Post & Post 2007, 46-47.)

4.1.2 Grey market goods

Grey market goods are parallel imports of the genuine products and they are sold without the permission of the trademark holder. They are authentic products that are sold outside the genuine and authorized distribution channel and below the standard pricing. They do not follow the legal channel agreements, customs import agreements or export regulations. Whereas counterfeit goods are always illegal, the distinction between what is legal and what is not is a bit trickier to make in grey markets. Usually selling grey market goods is completely legal, just not ethical. However, there are differences nationally in legislation. Some countries do not allow parallel imports, and in some countries the trademark holders can take legal action against people selling their goods unauthorised. Often grey marketers come from inside the company and they are aggressive business people. They are people who have extremely good sense of business and pricing and they know how to exploit the company. Sometimes grey markets happen because there is backdoor manufacturing, where the manufacturer "makes a little extra" of the products and sells them through the backdoor without authorization to do so.

Grey market products are the largest single group of competition a company will have: company's own products become their largest competition. Sometimes counterfeit products are mixed with the grey market goods. This creates reputation risk, since quality of these products may not be up to the standards of the authentic product. The risk of grey market attacks increase if the genuine products are differently priced in different countries: grey marketers buy huge quantities of the genuine product from countries where they are sold cheaper and then resell them with low price in countries where they are normally sold with more premium price. This is how management decisions and customer verification have a lot to do with avoiding attacks. The biggest impact of grey markets besides lower margins is the fact that it becomes almost impossible to manage channel inventories and to make sales forecasts. Also channel relationships often are damaged and additional volume discounts need to be implemented. (Website of INTA 2014; Post & Post 2007, 46-47, 52-54.)

Figure 4. Legal and Illicit Trade (Starcke Oy, 2013)

4.2 Eight laws of brand integrity

Can companies really identify their own authentic products? At times even major multinational companies cannot tell the difference between their own authentic products and non-authentic counterfeit products because they cannot be differentiated. Sometimes these products may even be manufactured in the same facilities (for e.g. backdoor manufacturing). This brings up few major issues; the importance of protective product design and companies control over their third party manufacturers, subcontractors, knowing who have access to their tools and dyes and companies lack of standardization. (Post & Post 2007, 38.)

Post names Eight Laws of Brand Integrity:

1. Brand integrity is more than legal protection.
2. If a product is valuable, somebody will try to take your profits.
3. If you do not protect your products, nobody will do it for you.
4. If you wait until your product is attacked, you will lose.
5. Protect your products, and the bad guys will attack your competition.
6. If you have different prices in different markets, someone is stealing your profits.
7. Your own products are often your largest competition.
8. Continually monitor the marketplace to lower risks and increase profits.

(Post & Post 2007, 5.)

In the following the eight laws will be gone through in more detail.

The difference between legal protection and brand integrity

Generally legal protection only allows companies to take action when they are already being attacked. Legal measures normally do not allow you to prevent the attack from happening in the first place. Legal aid is merely a small part of brand integrity control, and it is not the most important component keeping the brand, the product or the company safe. The protection of integrity must be from the *information production to product production*. This protection needs to be in all of the phases in doing business with no gaps, whether it is R&D- related, patent pending, patented, production or distribution related. Company cannot only concentrate on marketing the product but it also needs a good business process and good policies to operate the company. This includes motivating employees as well as managing the products. Legal protection gives the right to protect, but it does not prevent attacks from people who do not care that they are breaking the law. (Post & Post 2007, 36-37.)

Post names four key points about the difference between legal protection and brand integrity:

1. Keep in mind that brand identification, promotion, and protection are essential to profitability
2. Think in terms of lifetime product profits, not immediate returns.
3. Structure operations around the product's lifecycle.
4. Reward product stewardship, not exploitation.

(Post & Post 2007, 36.)

If a product is valuable, somebody will try to take your profits

When a product is valuable, it is very likely that it will be attacked. To minimize the risk of attacks, the product or brand should seem to be, and be, a hard target. Company's approach to product management can create aid to minimize the effects of an attack when it occurs. (Post & Post 2007, 45-47.)

In the book Global Brand Integrity Management, there are six rules mentioned, that can help concentrate focus of management when preparing for attacks against the product or brand:

1. Losses are often due to management problems, not security issues.
2. Losses are best controlled by those responsible for operations.
3. There is a cost to providing time delays and barriers against attacks.
4. Losses will be lower when there is more employee involvement and more personal interest and when company goals viewpoints closely parallel personal goals and viewpoints.
5. Those with the mist access can cause the most serious problems.
6. A balance is required between BI and business objectives.

(Post & Post 2007, 47.)

It is almost impossible to protect products from being attacked, or make sure that customers can purchase only genuine products from the markets or to keep profits safe. If someone is determined to attack they will be able do some damage. However, there are ways to minimize the effects of these attacks if there are enough systems to manage the products.

In general it is important to know who the enemies are. Usually grey markets are very well organized. The grey marketers have certain benefits over the OEM's: They usually operate with little or no overhead. Therefore their business may well be much more profitable than that of OEM's. Usually these are global organizations that are able to have the copied products available worldwide in matter of days. They often offer better prices to resellers and end users than authorized distributors. Also they probably have access to OEM's production schedules and have the pricing information of their products even before the OEM's own dealers.

The main impact of this kind of operations is profit loss caused by lower margins. Also there are excessive payments on volume discount programs, stock rotations and price protection. The back office-administrative costs are increased and in addition to this some damage to the channel relationships is caused. Also the inability to manage inventories or sales forecast is a major impact caused by grey marketers. (Post & Post 2007, 45-48, 51.)

The first step in preventing this is to be aware that there is a problem. It is advised to keep in mind that buying grey market products from retailer at consumer level is not illegal. To arrange for the product to be purchased by fraudulent means is illegal.

This leaves the line between ethical and unethical very thin and also leaves a lot of ethical decision making power to the consumer. (Post & Post 2007, 47.)

If you do not protect your products, nobody will do it for you
There are many different types of problems that product will face on the markets:

- overruns
- Unauthorized production
- knockoffs
- Irregulars
- Seconds
- Grey market items
- Counterfeits
- Parallel imports and diversion

(Post & Post 2007, 85-86.)

The best way to fight these is to be proactive and try to prevent the attacks from happening in the first place. There are legal methods like filing a patent, copyright or trademark. These methods however are not at all efficient if the products that are violating your products are not located in the market, their origin is not clear or it is not known who is manufacturing them. (Post & Post 2007, 85-86.)

The best defence against attacks is as aggressive as possible. Destroying all of their operations is essential in preventing new attacks in the future. This also sets an example for other companies that are trying to exploit. (Post & Post 2007, 90.)

When brand owner starts building up a product protection program there is three important rules mentioned in the book Global Brand Integrity Management:

Rule 1. Threat follows value.
Rule 2. Products must appear to be and really be a hard target.
Rule 3. Product protection enhances the public perception of product value.
(Post & Post 2007, 90.)

If you wait until your product is attacked, you will lose
As mentioned frequently in previous parts, if a brand is of any value it will be attacked. If a brand or a product does not get attacked or is in no danger of attacks it

probably means that it is not appealing enough and therefore the business may not be successful anyhow. So the key question is not "will I get attacked", but rather "how will I stop the attack when it occurs". (Post & Post 2007, 119.)

The key in preventing these attacks is to know the supply chain thoroughly. Due-diligence investigation should be performed about the distributors, end users, clients and possible clients. Background investigations should be done in all levels of supply chain – externally as well as internally. The first step in staying ahead is to know with whom the company is up against – or working with.

Making sure subcontractors and third-party manufacturers as well as the company's management in distribution, manufacturing, or at the executive level are reliable, is very important. Getting to know the potential joint venture partners, contract manu-facturers and trucking or freight forwarders should not be forgotten either. Even the truck company might be selling "from the backdoor", by switching some of the genuine products to counterfeits. Third-party manufacturers might produce "a little extra" and sell it at low price without OEM's knowledge. At least with the case of third-party manufacturer, the quality is that of the genuine, but if the truck driver switches some of the genuine products to counterfeits, there is a huge reputation risk. (Post & Post 2007, 119-143.)This is one of the reasons why technologies that protect the packaging and verify authenticity of the product are important part of prevention.

Due-diligence investigations are one of the best ways to protect against fraud, coun-terfeits and grey market attacks. This can be done by using databases of known grey marketers and criminals or by making field investigations and interviewing people. In fact, in many cases when fraud has occurred or grey marketers have been able to attack, it could have been prevented if a simple background check had been done. (Post & Post 2007, 134,136.)

Protect your products, and the bad guys will attack your competition
Two companies are manufacturing products with similar value and level of attrac-tion. The other company has legally protected their rights for their products, they have done thorough due-diligence investigations, they have good control over their supply chain, a lot of thought has been put into protective product design, and their management is on top of their tasks and making right decisions. The other company

however, has not done any background checking of their business partners, they have poor product design, and problems in communicating with in the company. Often when brand integrity is in line or under attack; it is the company's own fault especially so if the attack was successful.

If company's products are well protected, criminals and grey marketers rather attack someone else. The various risks that may occur during the product lifecycle should be analysed and it should be kept in mind that it is not possible to maximize profits if daily opportunities of improvements are not seen. There needs to be certain amount of systems developed to manage product risks and opportunities. (Post & Post 2007, 145-162.)

If you have different prices in different markets, someone is stealing your profits&
Your own products are often your largest competition
Here the rules six and seven are combined, since they are very close to each other. As explained earlier the grey markets are selling the genuine products, not counterfeits. So brand owners may quite literally be competing with their own products and what is even more striking is that grey marketers are often making more money than the OEM's, since they do not have to bare all the costs. Procter & Gamble estimated that around 50 per cent of their consumer goods sold in China, were counterfeit. After the company decided to take action, within two years they were able to cut this number in half, just by cutting their marketing budget and spending that money to enforcements in product and brand protection. (Post & Post 2007, 163.)

If products are differentially priced, the risk for grey market activities is very high no matter how many enforcements there are in place. Prices generally tend to be lower in developing countries than in developed countries like European Union countries or United States due to different economic situations. The products that were originally introduced to the countries in Asia or Latin America for example, are re-imported to either European Union or to the United States. Retailers in USA or EU area are now able to buy these re-imported products and sell them way below the legitimate wholesale price, because they do not follow the legitimate distribution channels. This is why it is just as important to know who the customers are, since it was the company's customers that reintroduced the products from lower priced markets to the premium price markets. (Post & Post 2007, 163-169.)

Continually monitor the marketplace to lower risks and increase profits

It is essential to know your markets. Observing the markets can be easy or difficult depending on the hostility of them for example if there is a history of attacks. The observation can be done by the company itself or by some external consulting company.

The ways to do observation are numerous. One of the most important is simply searching the internet. From internet it is easy to figure out what is the general attitude towards the brand and product(s) and also if there are unauthorized products or counterfeits on the market. Other ways to observe the market situation is to monitor the markets for competitive products, using market research companies, creating business intelligence departments, setting up targeted purchasing programmes, using honesty shoppers and also encouraging own employees to keep their eyes open and observing the markets. While a lot of this investigation can be done online or via other background checking methods, at times it is impossible to know if some distributor is genuine or a grey market operator. In these cases it may be necessary to go and visit the physical location and see the facilities. (Post & Post 2007, 185-188.)

As mentioned, this type of research can be done by the company itself. However, there are many organizations that exist that help companies in search of information. There is no point trying to search for extensive data on your own if there already exists organizations that have the expertise and data available. (Post & Post 2007, 191-192.)

4.3 Intellectual property rights and legal measures

Intellectual property (IP) is intangible, as it is a product of the mind. This means that it does not fulfil the usual notions of property. What we understand as tangible property are things that can be seen, touched, owned, lend or the ownership of them can be passed on. Tangible products can easily be evaluated and compared with other property. With IP the value is not as simply evaluated and making comparison is more difficult. IP can be converted into tangible, this way it becomes more easily evaluated. IP of a company may include patents, product designs, know-how, trade secrets, the company name or the design of its logo.

One form of intellectual property is patents. In order to get a patent, the idea needs to be new and innovative. It should also be in some way useful. Patents are not forever, meaning that they expire after a certain period of time. After this time has expired anyone can easily copy the idea. This is because when a patent is filed, what is being patented needs to be explained in detail. This way, the patent law actually helps counterfeiters or competitors to copy someone else's work once it is no longer protected by law.

Other method of IP is copyright. Copyright protects the creations of artists, musicians, authors. Copyright expires after a certain number of years after the creator has passed away. The grand idea behind this is that copyright can be a financially beneficial for the creator him or herself and for the immediate descendants, but after a while the artistic creation should benefit everyone (Shippey 2002, 1; Phillips 2005, 10-11; Website of INTA 2014.)

Decisions that concern trademarks and branding are highly important part of strategic decision making. Generally speaking these decisions have great financial effects both in the near future and in the long run. Therefore it is important that some of the basics about trademark protection strategies are understood as well as possible in companies.

When a company wants to protect the brand or name by registering a trademark, this means that they are applying for an exclusive right to use it. It is technically possible to register same identical trademark simultaneously by many companies, because the trademarks are being inspected according to their protected area. Exception in this rule is the so called well- known marks, for e.g. Coca-Cola.

Before choosing a name to commit to, it is important to check if it is suitable for a trademark and if it is possible to register it. It is for example possible to make a trademark out of the company name. In this case however it should be noted that a trademark makes a product individual and if the product does not succeed it may simultaneously bring down the company name. Trademark can also be registered as it is. This means that the name can be registered in the exact spelling, colour and pattern that it is represented in. In registration should be included all the desired goods

and services. It may also be reasonable to register the trademark in different categories. This way the company can get many registrations already in one country.

It should be considered, whether or not to register the trademark word/spelling separately from the pattern and furthermore if the registration is done in black and white or in colour. In general trademark should be registered in colour only if in great certainty it will be used in the exact colour that the application is left in. Black and white registration in Finland is considered to cover all of the colour combinations that you can think of.

Often alongside the trademark application the company may apply for so called defensive registrations that broaden the protection abilities of the actual trademark. This means that the word that is used as a trade mark is altered and the alterations are registered as their own individual trademarks. This naturally will bring more costs.

There are two types of registrations: National and Regional (International). There are few different types of regional registration systems, for example the Madrid System, that consists of two different agreements that have been created to make it easier to apply for protection of a trademark, with in the countries that are part of the contract. All together the Madrid System consists of 78 countries, including the European Community. For Finnish companies the most relevant regional agreements are the so called BENELUX- System and the European Community CTM- System (Community Trade Mark). CTM- System consists of 25 countries. Multilateral agreements specific to IP rights have also proliferated in recent years. The Trademark Law Treaty was adopted in 1994, and the Madrid Protocol was adopted in 1989 to amend and strengthen the Madrid Agreement, by which IP rights can be registered centrally for all member countries. (Shippey 2002, 97; Kolster OY AB, memo 20.01.2014.)

National agreements are, as it can be conducted from the name, only rationalized with in the national boarders that the trademark is registered in. As a guideline it can be said that the company should first apply for a trademark with in its own nation and after this, use the ready application to apply for countries with in the Madrid-System, BENELUX-System or CTM-System. It is also possible to register in every country separately. However, this is a lot of exes work and costs will be multiplied in comparison.

Whatever the chosen strategy is or whatever schedule the company is implementing, the end result is so called trademark briefcase that includes all of the intellectual property rights that the company possesses. This briefcase requires for it to be actively taken care of and the company also should very actively supervise its intellectual property rights. To make sure that the IPR and trademarks are protected there needs to be certain amount of defences in use. The protection and defence is solely the responsibility of the company that holds the trademark briefcase (IPR briefcase). This protection consists of many small areas and from these areas there is created a wholesome entity. This is where brand integrity comes in place. It is not enough to register a trademark. They need be actively protected.

Also it should be kept in mind that this protection is not forever. The trademark can be lost if it is not renewed in time. Sometimes companies have lost even their most important trademarks to competitors due to human error. The marketing department and the resellers are usually best aware of the competition situation on the markets and about the equivalent products that are also on the markets

Legal measures against grey market goods are not so broad and they are country specific. First it should be checked are there any aid available under trademark law. In certain countries, like New Zealand, the trademark law allows parallel importation. However, there may be other laws such as the copyright law, which may provide some assistance. In the United States both the Lanham Act and the Tariff Act provide means to fight grey market products, and in Brazil if there are products that infringe the rights of the owner of a trademark, both criminal and civil measures can be taken. (Kolster OY AB, memo 20.01.2014; Website of ICC 2014; Website of INTA 2014.)

Relevant in understanding brand integrity is to understand the risks that occur in the product lifecycle. In other words, we need to understand what the brand needs to be protected against. What makes law measures less effective is the fact that criminals do not care when they are breaking the law.

5 BRAND RISK

5.1 Key risk areas in product lifecycle

All great business ideas and products start with an idea. This means that even before a single draft or prototype is made, there is something to protect. In general the key areas where risks lay are in research & development (R&D), manufacturing, distribution and marketplace.

Key risks in R&D

One of the key risk areas is R&D. Counterfeiters and competitors will go after the ideas or new products or processes. It is very important at this level to be sure that the employees are 100% trust worthy; employees can steal ideas and start up their own company, or in some cases they might sell the ideas and secrets to the competition. Engineers working at R&D level might not file a patent for the company, but take the idea for themselves and start up their own business or sell the innovations to the highest bidder.

If business or product ideas leak out too soon, competitors may start producing the products whilst original equipment manufacturers (OEM) patent is still pending. They could also file for patent in countries OEM has chosen not to file a patent in or they can file around the original patent. Risks also occur if some of the product development plans or engineering test data are stolen. In some instances competitor may get access to the prototype, in which case there is also the risk of reverse engineering. At the end the competition may be able to produce the products more efficiently.

Especially if employees cannot be trusted a good brand integrity management comes in to aid; when the company does not yet have copyright, ownership rights or patent is pending, legally it is very difficult to protect what is theirs. This is why in brand integrity the role of management is emphasized. Happy and motivated employees who feel loyal are essential. If brand owner or manager chooses to go down the path of not giving the engineers and other employees the respect they deserve or vital jobs

are outsourced to countries where it is not necessary to pay employees properly, there is about to be trouble. (Website of ISACA 2014; Post & Post 2007, 88-89.)

Key risks in manufacturing

When the lifecycle has reached the point of manufacturing, there is already a lot to lose. This is because when creating the idea, it is still somewhat possible to keep things wrapped up because not many people need to know the specifics. However, when the manufacturing starts there is a whole supply chain of people knowing what and how things are done. It may be that whilst the company is busy setting up production, the contract manufacturer clones the product. It should also be considered that it is not only in R&D, where key employees can be hired away by the competitors. The key production staff might be hired away at any point.

Especially at this level it is important to enhance stewardship within the company and amongst employees and not exploitation: employees have access to raw material, and in a culture of exploitation they may be tempted to steal, possibly forcing the production to stop. Also, they may not only steal the genuine raw material, but in worst case, they substitute some components with counterfeits. This will cause issues in quality which may lead to rejection of the product from customers. Anyway it may be in order to go through some written policies with employees. Especially in the contracts of the employees that are in contact with suppliers there should be included a clause determining consequences for selling or giving any production information to outsiders (Post & Post 2007, 89; Website of Personnel Policy Service Inc. 2014.)

The concept of "Reward product stewardship, not exploitation" (Post & Post 2007, 36) is important also when considering subcontractors and third-party manufacturers; the subcontractors may be using child labour without the company's knowledge and this might be figured out by the press, hence ruing reputation. Also other social responsibilities concerning labour may be neglected. This may cause action from activists, and often when employees do not care, there may be some deliberate neglect towards finished products. It could also occur that third party manufacturers who have not had their background checked may not return the know-how after the contract has expired. Stewardship creates more happy employees and they are more likely to take good care of the equipment they use. Proper scrap product destruction pro-

cess should be in use, so that employees or someone external cannot start selling them. (Post & Post 2007, 231, 89.)

Key risks in distribution

When the goods are already in distribution the key areas to consider are: Product storage and warehousing, transportation control, protecting goods that are in-transit, certain government compliances and controls. (Post & Post 2007, 122). Products can be stolen by employees or by someone outside the company before they are in authorized distribution channels. In worst case scenario they even replace the authentic goods with the counterfeit without this mischief being detected. In storage and warehouse environment there is a high risk of damage. Damage can also occur during transportation whilst loading and unloading or because of incorrect transportation. Incorrect shipping and high damage rates can cause high return rates and thus reduction in profit margins. Also problems in lead-time management cause lower customer satisfaction and this may cause a breakdown of just-in-time-system (JIT).

The cost-effective organization of warehousing is also very important. Bad warehouse management combined with overstaffing also has a huge impact on profit margins not to mention the importance of inventory management, there is a lot of cash tied to inventory which makes this part of product lifecycle very vulnerable. It is important to keep in mind that there are a lot of assets tied to the products and someone will try to convert that into cash, so the goods need to be closely observed. Several ways to protect and control products in distribution exist, these may be special procedures, documentation or inserting techniques to the products and/ or packaging that make it possible to keep track on the products throughout the supply chain such as RFID-tags that can hold wide range of data in them. Technology like RFID is a good way to streamline supply chain, cut back costs of warehousing and make sure that the products are where they are supposed to be at all times. (Post & Post 2007, 123-125; Myerson 2007, 5-8.)

Key risks in marketplace

The at times hostile environment that exists in the marketplace today, does not only pose a threat to the sellers but also to the buyers. The sellers and manufacturers have their products stolen, counterfeited cloned or grey-marketed and their reputations ruined or damaged by these actions. There are authenticity problems, pricing needs to

be revised, it causes high return rate for authentic products and even for products that are not genuine, and of course it lowers the margin. On the other side of the coin the buyers are victims of counterfeits, grey market products, out- of warranty merchandise and contaminated or defective goods. At times it is impossible for the buyer to distinguish the difference between the fake and the real thing and thus they may be deceived into buying.

For the buyer this causes health and safety risks; an injury may occur to customer or worst case scenario a death. There may be financial troubles for buyers when there is no warranty for faulty product, as the buyers may unwillingly be buying the not genuine or grey market product. (Post & Post 2007, 124-130; Keller 2008, 8-9.)

Table 1. Typical Lifecycle Risks for Products and Brands (Post & Post 2007, 57)

Typical Life-Cycle Risks for Products and Brands

R&D	IP-losses, trade secret losses, product development plans and strategies
Manufacturing	Contract manufacturers exploiting products for their gain (and your loss) Premature product release, unauthorized production, quality control issues cause by the sale of scrap product Counterfeit, clone, reconditioned products sold as genuine
Distribution	Theft from supply chain of finished, semifinished, or raw materials and products
Market	Fraud in rebate, discounts, returns, damaged goods Gray market, Parallel imports, and end-user problems Sales quota, consignments

5.2 The levels of brand risk

The following model about brand risk consists of six components that are interacting with each other. When looking into these dimensions it is important to understand that they are not trying to define risk exclusively in the situation of crisis or catastrophe, but rather in all of the possible controllable or uncontrollable situations that occur in the global markets, situations that have a huge impact on brand's performance. The interacting components are: identity risk, presence risk, equity risk, reputation risk, status risk, and market risk. (Abrahams 2008, 22.)

Identity risk
There are two aspects in identity risks: exclusivity and consistency.

Exclusivity problems are the kinds that are associated with brand specific identifiers, such as name, trademarks, logos, and web domains. These identifiers need to be well defined and protected against infringement, imitators and counterfeiting. The identifiers need to be protected especially if they are of any value. Also in cases where similar brands can be easily confused with each other is an identity risk. (Abrahams 2008, 23)

Consistency is important in terms of perception of the brand's quality and or projection. If the marketing of the brand or main product line is inconsistent, it may well lead to inconsistent and outright inappropriate or incomplete representation of the brand/product line. This may concern the style, look tone or content. (Abrahams 2008, 23) For example, when selling luxurious condos to people and the sales person fails to look the part; he or she is dressed in dirty clothing and arrives at site in a dirty and old car. This creates a negative attitude towards the selling agency, thus hurting the brand. However, if the sales representative arrives, wearing neat, clean clothing and in clean and relatively new vehicle it has a strong positive reinforcement towards the brand.

Presence risk
The qualities of a brand have no value if they are miscomprehended or if they do not standout. The level of standout basically is a measure of how well-known the brand is in the consciousness or even sub consciousness of the customers or other stake

holders. Standout level may be negative as well as positive. For example if the company is identified as the worst environmental offender in the industry, it is likely that activist will target the company in their campaign. (Abrahams 2008, 23-24) This technically means that the standout level is high, but it is negative, which means that it would be better to have a lower level of standout as long as it would be more neutral or positive.

Equity

Things that affect brand equity can either shift the economic demand in favour of the brand or product line or against it. It measures the ability to maintain competitive advantage and differentiation level. These things affect the willingness of customers to pay for the company's goods instead of someone else's. This includes the willingness to pay more premium price or how frequently the customer returns to the company's products. Image is important part of equity. The influence of peers and parents or other social groups is essential; is it desired to own a certain handbag or smart phone not because of its features, but purely because it represents a certain lifestyle? (Abrahams 2008, 24-25) This is why brand integrity is important when talking about company's profitability and it also explains well why brand integrity is so much more than just product protection. The following graph will showcase a simplified structure of a hypothetical automotive brand.
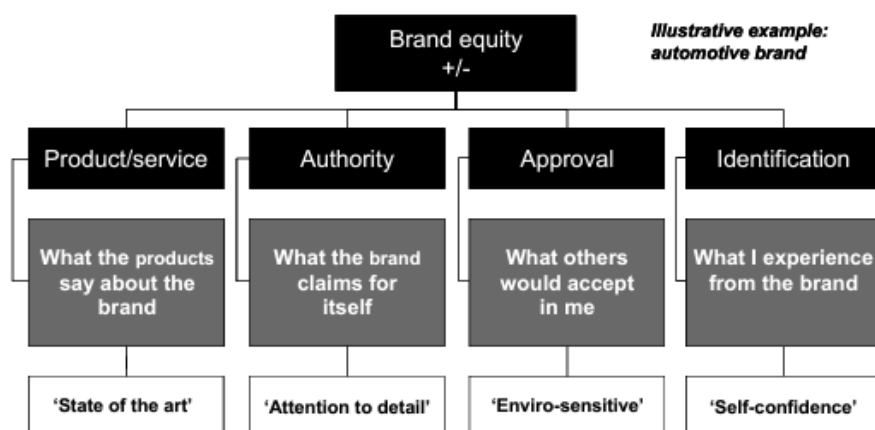

Figure 5. Components of brand equity (Abrahams, 2008. 25)

Reputation

Reputation risk usually occurs from failure to meet expectations or to perform up to standards compared to others operating in the same field of business. The expecta-

tions are created not only by the need to follow certain regulations but also by the need to follow certain ethical, moral and social norms. So for a company it is not enough to merely follow the legal standards and regulations or to meet the terms of norms of performance. There is more to be done in order to create competitive advantage.

This may easily be confused with some of the aspects mentioned in the part brand equity risk. However in reputation risk the elements are more clear-cut matters that often are a well-known public concerns. Brand's reputation creates a basis for brand equity which in turn creates competitive advantage. For example, big multinational corporations often give their reputations in line to their various different brands of consumer goods. Now if there occurs a corporate malfunction, it will not only ruin the corporate name or one brand, but it will ruin the entire brand portfolio. (Abrahams 2008, 26-27.)

Status

Status in this case means the position of the brand compared to other comparable brands. The status of a brand can be altered by the actions of others, and is not directly controlled by the brand owners own actions. In purchasing decisions consumers often use status as a tool: If the technology of the product is unfamiliar to the customer or if there is no strong psychological connection to the decision, usually the status of the brand is what has the strongest effect on the buying decision. The higher the status the better the brand is accepted in the markets and easier it is for the brand to create positive word of mouth. However, the higher the status the higher the standout and the higher the reputation risk if something goes wrong. This is why making sure that the company's social responsibilities are well taken care of is very important. Companies also should take extra care of some ethical and environmental issues to lower the reputation risk. (Abrahams 2008, 27-28.)

Market

All of the other elements mentioned above are rather internal (part from status risk). Market risk however is a risk that comes from external environment and is attached to the context of the industry. It is closely associated with motivations and constraints: the changing attitudes in consumption and the changing regulations. In market risk there is a combination of equity, reputation and status. This means that the

changing motivations of consumers are often related to the social opinions of ethical, environmental and political issues. (Abrahams 2008, 28-29.)

5.3   Brand risk for consumer

Consumer risk means risks that have to do with making product buying decisions. Some of the key risks that consumers face when making a decision to buy a product (or service) are:

- *Functional risk*: The product does not perform up to expectations.
- *Physical risk*: The product poses a threat to the physical well-being or health of the user or others.
- *Financial risk*: The product is not worth the price paid.
- *Social risk*: The product results in embarrassment from others.
- *Psychological risk*: The product affects the mental well-being of the user.
- *Time risk*: The failure of the product results in an opportunity cost of finding another satisfactory product.

(Keller 2008, 8.)

There are many ways to avoid these risks, but one of the most obvious one is to only buy well-known brands or brands with which they or someone they know have had a pleasant past experience with. This is why handling the integrity and reputation of the brand is a very important risk-handling tool. (Keller 2008, 8-9.)

6   CONSEQUENCES OF ILLEGAL TRADE

6.1   Consequences for companies

Largest volume of lost profits and margins from businesses in U.S. today are caused by trade secret theft, violations of product patents and product diversions. Milliards

of U.S. dollars are lost in revenue per year because of grey market activities world-wide. According to The United Nations Office on Drugs and Crime (UNODC's) campaign the link between organized crime and the trade in counterfeit goods, amounts to USD 250 milliards a year. Loss of revenue is not the only consequence there is for companies, but there is also the possibility for negative consumer experience which causes damage to the goodwill and reputation of a brand. This will lead to problems in consumer safety, product integrity, service and warranties, and can lead to claims for goods that are not the company's genuine products. While the OEM's or brand owners revenue is being stolen the grey markets exploit on excess inventory. The grey marketers do not have to bare manufacturing costs, they have lower distribution costs, and they are able to exploit on current economic conditions and currency exchange rates. Money spent on protecting innovations all the way from the R&D level and making sure that there is patent or trademark to protect the innovations, is well worth the money. (Post & Post 2007, 13; Website of Pack&Print World 2014; Website of INTA 2014.)

The Department of Homeland Security took in to custody counterfeit goods valued at over $1.25 milliard at the borders of U.S. during the Fiscal Year of 2012. This number is huge but unfortunately it represents only a very small percentage of the total market of counterfeit goods. Internationally speaking, the markets for counterfeit goods are much larger and continuously growing. The simple reason behind this growth is sadly, consumer demand for cheap price. The awareness of the dangers of counterfeit products should be raised, because many consumers do not seem to have a clear understanding between what is a good bargain and what is cheap because of exploitation. When buying counterfeits, someone always gets hurts and consumers willingly or unwillingly support activities that they do not know about, like terrorism, drug trafficking, organized crime and other criminal activities. (Website of International Anti-Counterfeiting Coalition 2014.)

Table 2. Lifecycle Losses (Post & Post 2007, 14)

R&D	Trade secret theft	US$ 60 milliard
	Information	US$ 53-59 milliard
	Internet	US$ 300 milliard
Manufacturing	High-tech only	US$ 0,5 million per theft
Distribution		US$ 30-60 milliard
Marketplace	Retail	US$ 31 milliard
	Grey market	US$ 30 milliard
	Counterfeit	US$250 milliard

If the brands reputation has suffered, the customers may be headed towards the competition. This is exact opposite to the brand owners needs and wishes. During hard economic times there needs to be a focus on keeping the current loyal customers happy. The goal of integrated brand integrity system inside the company is to minimize loss or damage, maintain or improve margins and customers' confidence in the brand, enable the ability to recover rapidly and to improve the company's capability to learn better practices and to achieve the company's goals and objectives. (Post & Post 2007 1-7; Peters & Willis 2009, 1.)

6.2 Consequences for consumers

The counterfeit markets do not pose a threat only to companies selling luxurious hand bags, but it has its long fingers also for example in pharmaceutical markets. This is not harmful only for economy, but also for people's health. (Phillips 2005, 3, 188-191.)

Fake drugs find their way into pharmacies and hospitals and it is in fact estimated that in some low-income countries in Asia, Latin-America and Africa fake pharmaceuticals may be as common as 30%. People even receive counterfeit cancer medication from hospitals. In general fake drugs pose threat for health in three ways. The threat may be failure to provide care and treatment, which means that the person is not getting help for the illness or condition he/ she suffers from. Untreated illness or

condition may lead to death or other consequences that that particular illness poses. Threat may also be direct harm. Often these fake drugs may contain things like paint, sawdust or antifreeze. Needless to say ingesting poisonous substances may be lethal. Another threat that is not often considered is that in cases when the fake contains the active ingredient that is also used in authentic medicine but the amount is insufficient to eliminate the microorganisms this will result in drug-resistant forms of viruses, bacterium, parasites or microorganisms. This means that the authentic medication will become less effective.

The threat to health does not only mean fake drugs. Everything from car tires, brake pads, airbags, airplane parts and electrical consumer goods to baby formulas and children's toys are counterfeited. (Phillips 2005, 3, 188-191; WHO 2006; website of ICC 2014.)

These are just some examples of the many different items counterfeited by organized criminals. Buying fakes is what contributes to organized crime and to the industry of counterfeiting and exploitation: as long as there are people who will buy the counter-feits, there are people who will make counterfeits. Protecting brand integrity does not only protect the brand, but also the consumer. (Website of Pack&Print World, 2014; Phillips 2005, 188-191.)

7 TOOLS OF BRAND INTEGRITY

 If there is a shift towards negative in the customer's confidence, quick actions need to be taken to set the company and the brand back on course. The main tools of BI are: Efficient contracts, onsite inspections, regular/ occasional unannounced audits, full control over key raw materials/ components, not allowing the use of unauthor-ized third party manufacturers or sub-contractors, quality inspections of products confirming production volumes (so there is no threat of backdoor manufacturing or grey markets). In following some steps are described in more detail. (Post & Post 2007, 111, 132-134)

End-User Verification

Verifying the true identity and motives of those buying the products is essential in avoiding the grey marketers. After the ownership of the products is passed on to the buyer it is very hard to have any control over what can or cannot be done with them, this is the so called first-sale rule or barrier. After the products are passed on to the buyer, the goods are sold onwards to resellers and end-users and they may well end up in the grey markets if there is not proper end-user verification tools in use. Doing certain amount of test buys is therefore also necessary. (Website of OSCE 2014; Post & Post 2007, 115, 170.)

Due-diligence investigation

Due-diligence means the evaluation of the prospective relationships in case of potential harm and risk that may be caused by them. Because a new partnership usually means that there is some level of proprietary information sharing always before starting a business relationship a proper investigation should be done to limit the risks and to confirm the suitability of the business relationship.

There are extensive databases existing of known diverters, grey marketers and, criminals that can be used. If these databases do not seem to be enough, proper field investigations and interviewing other customers and suppliers of the possible new business partners should be conducted. Often the actual site of the possible partners should be visited to make sure that there are in fact proper premises existing, and it is not just a fraud company. (Trends in Proprietary Information Loss Survey Report 2007, 18; Post & Post 2007, 134.)

Internal Investigation

When there is a suspicion of some kind of internal violation of law, policy or violation against ethics or against the quality programme of the company, allegations of financial fraud or accounting irregularities or antitrust violations, internal investigation is in order. At times, unannounced audits from management may also be required. Background investigations are important part of internal investigations and in preventing the future need for internal investigation. Especially people hired in the R&D department or people with direct connection to vital product design information should be thoroughly background checked. Company should have clear policies for appropriate procedures to conduct internal investigations. Everything should

also always be documented. (Website of Dechert 2014; Slater 2010; Post & Post 2007, 246.)

Audit Program

Audits can be divided to internal or external. In internal audits an employee or a team of employees from within the company are dedicated to verify the company's obedience to company's own policies. In External audits this is done by person or team from outside the company. Audits are a good tool in preventing and detecting frauds. They highlight the areas where improvements could be made and they confirm that company processes are in compliance with the industry standards.

When starting to build up an audit programme it is important to determine the metrics, so that the results can be measurable. In order to have measurable results there needs to be clear identification of key products and brand assets. After this, the product specific risks need to be identified (from the whole lifecycle, internally and externally). When these metrics are in place, protection strategy needs to be put in place together with a quality programme both of which are tied to the financial objectives of the company. These may include control over IP assets, clients, customers, partners, vendors and end users.

Continual improvements need to be built into process and continual self-audits conducted according to the internal quality programme. (Website of Turnkey Consulting 2014; Website of Careers in Audit 2014; Post & Post 2007, 115-117, 273-274.)

Product Design

Brand protection programme should start already when designing and developing the product or the packaging of the product. This means that security features are already implemented to the products at this stage. Protective product design and packaging goes beyond the physical safety. For brand owners that are looking to maintain their reputations, and fight the counterfeits, the black and grey markets this is especially important.

This could mean tamper evident packaging, security features in the product, product marking technology or just very individualistic design that is very hard to copy. (Website of Pack and Print World 2014; Post & Post 2007, 99-102.)

Marketplace observation

There are a lot go ways to conduct marketplace observation. The amount of observation that is needed depends hugely on the atmosphere of the marketplace (are there some very aggressive counterfeiters or known grey marketers) and the managements attitude towards risk prevention. Also the number of products and how widely products are sold has an effect. (Post & Post 2007, 186-187.) By enhancing marketing and increasing customer awareness creates safer market place. (Post & Post 2007, 23).

According to Richard S. Post and Penelope N. Post in the book Global Brand Integrity Management (2007), some of the options for marketplace observation are:

- Electronic commerce monitoring
- Trademark, name, product, and logo searches
- Targeted purchasing of products from e-sellers
- Market monitoring firms
- Bounty hunters
- Electronic commerce and field purchasing
- Targeted purchasing programmes
- Private investigation firms
- Honesty shoppers
- Market research firms
- Internal market research departments
- Business intelligence departments
- Market monitoring for competitive products
- Employee tips and information

(Post & Post 2007, 186.)

Grey market observation and counterfeit monitoring

The observation of the grey market activities is necessary to have full view of the marketplace. As with the marketplace observation, also grey market observation starts with due-diligence investigation, to determine who is buying the products and what their motive is. All questionable transactions shall be investigated to understand how internal control systems were compromised. End-user verification and manufacturing verification is also important part of this. (Post & Post 2007, 116, 132.) Oth-

erwise the observation tools for grey markets are the same as for marketplace observation.

Counterfeit Monitoring requires more direct in field investigations. This type of investigation is usually used as an enforcement action or as a legal action. (Post & Post 2007, 200)

8 METHODOLOGY

8.1 Research design

There are three most common types of research designs: Exploratory, descriptive and explanatory (causal). The research approach chosen for this report is exploratory with some features of descriptive studies. Exploratory studies are described as a mean to find out what is going on, find new perspectives and to explore the phenomena at hand from a new angle. It can be used as a way to explain and understand what exactly the problem at hand is. (Saunders, Lewis & Thornhill 2003, 96.)

The usual ways to conduct an exploratory study is to do a search of literature, talk to experts or by conducting a focus group interview. In this thesis a search of literature was conducted and an online questionnaire was sent out, which included open-ended and multiple choice questions. Exploratory study is good because it is very flexible. It does not assume any outcome and it allows very broad way of approaching the matter, but at the same time it offers a tool to narrow down the focus as the process of research goes onwards. (Saunders, Lewis & Thornhill 2003, 96-99.)

Unlike many other thesis that include a survey, in this case survey is not the most important part, but the combination of the theory and practice will offer an insight on the issue of brand integrity. For the same reasons mentioned above, it can be said that this study has features of descriptive studies, as the focus of this thesis is not to back up a theory or a presumption, but rather to describe the situation. Descriptive study is described as portray or an accurate profile of the issue at hand, whether it is a person,

a situation or an event. However, as this kind of study would be purely a descriptive one and includes no analysis, it was used merely as a means to an end together with the exploratory studies. (Saunders, Lewis & Thornhill 2003, 97.)

Assessing the relativity of the literature was not that difficult in this case as there is very little material about the subject. There are many books about brands, branding, marketing and about IPR-law, but they all had different focus than what this thesis is about. The decision was made that it is better to concentrate on the few main sources, in order to keep the outline in as focused as possible and in order to avoid digressing. (Saunders, Lewis & Thornhill 2003, 70-71.)

8.2 Research methods

Quantitative data refers to all research that includes numerical data or that contains data that can be quantified to answering research questions. In order for this data to be useful, it needs to be analysed and interpreted. It is harder to determine the features of qualitative data as it is not easily quantified. Qualitative data has implications for both data collection and its analysis. It cannot be standardised the way quantitative data can be. The most commonly used methods to collect qualitative data are: group interviews, individual, and intensive interviews. Qualitative research aims for in-depth understanding of behaviour and the reasons that are behind it. This is why in qualitative research smaller and focused samples are used and not large random samples. (Saunders, Lewis & Thornhill 2003, 378; Glenn 2010, 104; Crimp & Wright 1995, 32.) Distinctions between quantitative and qualitative data can be better seen in the following table:

Table 3. Distinctions between quantitative and qualitative (Saunders, Lewis & Thornhill 2003, 378.)

Quantitative data	Qualitative data
Based on meaning derived from numbers	Based on meaning expressed through words
Collection results numerical and standardised data	Collection results in non-standardised data requiring classification into categories
Analysis conducted through the use of diagrams and statistics	Analysis conducted through the use of conceptualisation

As to the validity of these methods it depends enormously on the specific case. In some instances the qualitative offers much more profound insight on the matter than data that is gathered in a more shallow matter. However in some cases the qualitative data gathered cannot be generalised beyond the interviewed group. (Crimp & Wright 1995, 164-165.) Considering the small amount of 18 participants in the study and the fact that the study focuses on gathering more in-depth information, means that it is a qualitative study. Although the nature of some of the information gathered in the survey is quantitative. For this reason it could be said that this study is qualitative with some features of quantitative.

8.3 Population and sample

No matter what the objectives or research questions are, there is need for data collecting. In some rare cases it may be possible to collect and/ or analyze all the possible data there is (census), but usually this is not possible due to restrictions of money, time, access or other resources. With different sampling techniques it is possible to decrease the amount of data that needs to be collected. Sample is taken from a complete set of cases. These complete set of cases are called population. (Saunders, Lewis & Thornhill 2003, 150-151.)

In cases where population is smaller than 50 cases, it is not advised to use probability sampling, because in these cases it is smarter to collect data from the whole population, as one extreme result inside this population, would have a huge impact on the statistics. (Saunders, Lewis & Thornhill 2003, 153.)

The probability sampling described above is based on the assumption that the sample will be chosen at random. Within business content this may not be possible and the sample needs to be chosen some other way. This is where non-probability sampling comes in. In this study the sampling method used will be non-probability and more specifically purposive sampling. It was important that the companies chosen from the population to answer this questionnaire were relevant for the study and hence help in reaching the objectives. (Saunders, Lewis, Thornhill 2003, 170-175.)

In this study the population was well known prestige Finnish brands, with the emphasis on companies that are either clients of Starcke Oy or have had some sort of connections or interactions with the company. Also some companies with no previous connections were considered. Starcke Oy has many types of customers and some of them are rather irrelevant concerning the study (like advertising companies). For this reason there was a need to limit the possibility of irrelevant cases, so the companies were handpicked to make sure they were all suitable. The cases were handpicked by the relativity to the study, so only companies that had brands and products or which had known patents and or trademarks were chosen. A list of little over 20 companies was made and the companies were contacted by phone by sales people or by the writer of this thesis to ensure that the once receiving the questionnaire, would be able to answer it. From these 18 promised to participate in the survey. At the end 18 emails was sent out to companies that agreed to answer and 18 replies was received.

8.4 Data collection and analysis

As mentioned briefly above, this research is conducted by sending a questionnaire. This allows collecting data in a very efficient way. The survey will be executed as self-administrated questionnaire and the questionnaire will be delivered and returned by using online tool e-lomake. In this study a semi-structured questionnaire has been chosen as it comprises both close and open questions and it is usually used in business-to-business research surveys. (Saunders, Lewis & Thornhill 2003, 282; Hague 2004, 99-100.)

A questionnaire allows obtaining standardised data which enables comparison of the answers. This way the data collected was be easier to analyze. That being said, analysing the results was still time consuming, but at least this way it could be done without having to struggle with arranging interview times with the companies. (Saunders, Lewis & Thornhill 2003, 92.)

When conducting a questionnaire the questions need to be well structured prior to sending, because they cannot be altered during or after the process. Likewise, with questionnaire there is only one chance to send them out and collect data, as it is not

convenient to try and collect additional data afterwards. This means that the structure of the questionnaire needs to be well thought through. The questions need to be designed so, that the meaning of the question is understood in a same way by the person asking the question and the person answering it. The same thing needs to happen other way around: The person collecting the data needs to understand the meaning of the answers the way the person answering intended them to be. (Saunders, Lewis & Thornhill 2003, 291-311.)

8.5 Validity and reliability

Research outcome is meaningless if the methodology is not legitimate. The research needs to indicate that the outcome is valid and that the methods used can lead to valid outcome. There are four possible threats to reliability: Subject or participant error, subject or participant bias, observers' error and observers' bias.

Subjects or participants error refers to the fact that the participants mood may affect on what he or she replies. The participant's mood may alter according to what day of the week it is; for example most people feel differently about their work on a Monday morning compared to Friday afternoon. This error can be avoided by taking the psychological factors into consideration and choosing a more neutral time of executing the research. *Threat of subject or participant bias* may happen when the participant answers the way he or she believes someone else, for example their boss, wants them to. This is why it is very important to ensure anonymity, so that the participants feel free to answer what they actually want to. *Observers' error and bias* work the same way as the error and bias of subjects or participants, but this time the mood or the bias attitude of the researcher or the observer is the one that affects the reliability. (Saunders, Lewis & Thornhill 2003, 101-102; Glenn 2010, 152.)

With validity it is referred to whether the outcome of the research is really what it appears to be about. This often refers to the causal relationship of two variables. For example sometimes the researchers may draw conclusions about the motivation of the employees even though the real reason is not lack of motivation but the circumstances that do not allow the employees to work in the most efficient way. (Saunders, Lewis & Thornhill 2003, 101-102.)

The questionnaire was examined by four different people, not including me, before it was sent to the companies. This way it was made sure that the questions were likely to be understood the way they were intended. Also as the questionnaire was online so the participants could answer it whenever it was most suitable for them and they could do it in their own peace without anyone, neither me nor their colleagues, bothering them or trying to influence their answers. Also as the people answering this survey were people who knew about these matters in their companies. This makes the answers valid and reliable.

8.6 Creating the questionnaire

The purpose of the survey was to research brand owners' awareness of brand integrity, to explore the importance of it in business operations and to find out how intellectual property right-issues are taken care of in companies. After the theory part was ready and the methodology decided on, the questionnaire started to take its form. As mentioned earlier in the methodology, it was decided to conduct a semi-structured questionnaire, as this would help reach the set objectives. The questions started to form when comparing the objectives that were set for the empirical part, with the theory and methodology. The research problem or opportunity that was determined at the beginning of this thesis is: How aware brand owner's are of brand integrity and about its importance in running their business operations? The objectives for the empirical part were the following:

- Is the concept of brand integrity familiar to companies and brand owners'?
- Do companies have the need to protect the integrity of their brand?
- How is it managed in companies, or is it being managed at all?
- How aware companies are about brand/ product risks?
- Have companies encountered brand integrity issues?

In order to reach these objectives the questions for questionnaire started to take their form. First the questionnaire was created in English and the questions relied a lot on the theory provided in the entire theory part of this thesis. However the main source that the questionnaire relies on is the book Global Brand Integrity Management (Post

2007). At quite an early stage, the questionnaire was divided in to two parts. Part A concentrated to the background information, demographics and tools that are in use. Part B concentrated more specifically to information about attacks that have occurred.

When the questions in English were ready, it was given to Ari-Veli Starcke, Chairman of the Board at Starcke Oy. He then gave some of his insight on what could be included in the questionnaire, but did not give too much influence as he did not want the thesis to represent his views. The questionnaire was then given to the instructing teacher and to one other person that Mr. Starcke suggested. The survey went back and forth for a while and at some point the thesis was translated into Finnish by the writer of this thesis. The Finnish version was then only evaluated by the instructing teacher as the questions were the same in English and help was rather needed in making the questions well formed. The questionnaires in English and in Finnish and the introduction email can be found in the appendices 1, 2 and 3.

9 RESEARCH FINDINGS

PART A

How well is the concept of Brand Integrity understood in companies?
Question two was a multiple choice question, where the respondents chose from the following options: Very well / Rather well / Rather poorly / Poorly / Not at all. Majority of the respondents (11/18) thought they understand the concept of brand integrity rather well and three (3/18) of the respondents though they understand the concept well. Option rather poorly was chosen by three (3/18) and not at all got chosen only once (1/18). Option poorly was not chosen by anyone. This result is rather surprising from the perspective of the literature and statistics there are about brand integrity and brand and product protection.

Table 4. How well is BI understood in companies (N=18)

How well is the concept of Brand Integrity understood in your company				
Very well	Rather well	Rather poorly	Poorly	Not at all
3	11	2	0	1

Do the companies operate in one country or internationally?

This question was intended to determine whether the companies work internationally or just in one country. Majority of the companies that were included in the study, and that responded to the questionnaire operated internationally (13/18) and the remaining operated only in one country, which in this case was Finland (5/18). The respondents were also asked to specify where they had operations if they were operating internationally. Some of the respondents did not specify more than by saying they operate globally. From this an assumption is drawn that they operate beyond Europe or European Union, but any certain conclusions cannot be made according to this. Some of the respondents mention continents they have operations in. Some of these were North-America, South-America, Asia, the Middle East, Africa and Europe. Some of the respondents went as detailed as listing all of the countries they have operations in. These were for e.g. Austria, Belgium, Czech Republic, Estonia, France, Germany, Hungary, Italy, Latvia, Lithuania, The Netherlands, Norway, Poland, Romania, Slovakia, Spain, Sweden, Switzerland, Great- Britain, Creek, Russia, Slovenia and Denmark.

Table 5. Country of operations (N=18)

The companies operate:	
In one country	Internationally
5	13

From the ones that replied they have international operations were then asked how they would describe the difference in security level depending on the country of operations for instance, if they have more thorough due-diligence investigations or better security systems on their products or facilities. Even though majority of the respondents answered that they operate internationally, most of the respondents said that there is no difference in security level depending on the country of operations (10/18) and the rest (8/18) said that there is difference depending on the country of operations. This means that not all of the companies operating internationally understand the risks that are involved when operations are moving further away. Though it

must be said that most likely not all of these operations include manufacturing or sharing of proprietary and/or trade secret information and this may be the reason for this result.

From the eight (8/18) that responded that there is a difference depending on the country of operations five (5/8) specified reasons behind the differences or gave examples of what are the concrete differences. One of the respondents said that in Asian countries they do not yet understand the matter (of BI) the same way that for example the Americans or Europeans do. This aspect comes up often in statistics and literature as well. Some of the respondents stated that they conduct more thorough due-diligence investigations in countries which are known to be more risk prone. It was also mentioned that more thorough due-diligence investigations are done on clients that are not known to the company previously. In latter case however it made no difference what the country of operations was; every client that is not previously known is investigated. In most cases every new customer is evaluated one way or another and evaluation is also done in the purpose of exploring the compatibility of the businesses. One respondent mentioned that at the same time of other evaluations also the clients IPR background information is checked as well as their assets and readiness commercially to break through a new product in the new markets.

Do the companies own trademarks?

Majority of the companies that answered this survey owns trademarks (16/18) this means that only two companies do not have trademark(s) (2/18).

Table 6. Do the companies own trademarks? (N=18)

Does Your company own trademarks?			
Yes	No		
16	2		

Do the companies own patents?

Difference between the companies that own or do not own patents is not as big as it is with trademarks. Whereas almost all own a trademark only 11 (11/18) own a patent and seven do not own a patent (7/18).

Table 7. Do the companies own patents? (N=18)

Does Your company own patents?			
Yes	No		
11	7		

Do the companies use services of an IPR- consultant (Intellectual Property Rights) company?

This question was also a multiple choice question with the following options: Frequently / Occasionally / Seldom / Never / We have our own IPR department. In this question the answers were a bit scattered but the majority of respondents answered occasionally (7/18) and the second largest group of five (5/18) answered that they frequently use the services of an IPR-consultant company. One (1/18) of the respondents answered seldom and two (2/18) of the respondents said that they never use the services of an IPR-consultant company and three (3/18) of the respondents said that their company has own IPR-department. These answers show that the legal aspects in BI protection are taken care of. This result is in accordance with the literature. Legal services are being used and patents are filed but at the same time less care is given to preventing the attacks from different parties that do not mind breaking IPR-law. However this finding is very positive as legal measures are important part of BI-tools.
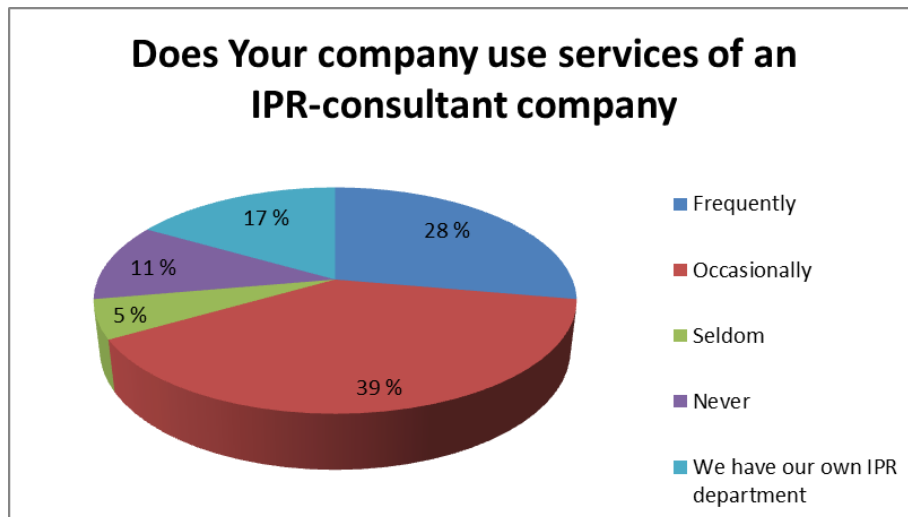

Figure 6. Do the companies use the services of an IPR-consultant company? (N=18)

Do companies have some type of cooperation agreement with customs (for. e.g. are they part of the IPM, Interface Public Member)?

This question was left as an open question so that the respondents would be able to specify the type of cooperation they have. Below is a table of comments that were originally given in Finnish but which have been translated into English.

Table 8. Cooperation with customs (N=16)

Does Your company have some type of cooperation agreement with customs (for. e.g. are you part of the IPM, Interface Public Member), please specify?
Cannot say
Rarely
No
No
No
Yes, different type of customs watch programes to discover pirate products
General customs surveillance
-
Cooperation for e.g. in counterfeit matters. Our company is representative for many brands in Finalnd
Don't know
-
Yes. Observation of trademark and patent owner rights with the assistance of customs
No
No
Don't know
Don't know
It has been considered
Don't know

Two (2/18) of the companies that took part in this questionnaire did not answer this question. From these responses it can be conducted that four (4/18) have no cooperation with the customs. One (1/18) said that it has been considered. One (1/18) respondent said that they rarely have cooperation with the customs and four (4/18) said yes, they do general customs watch programmes or other type of observation cooperation's with customs. Five (5/18) said that they cannot say or they do not know.
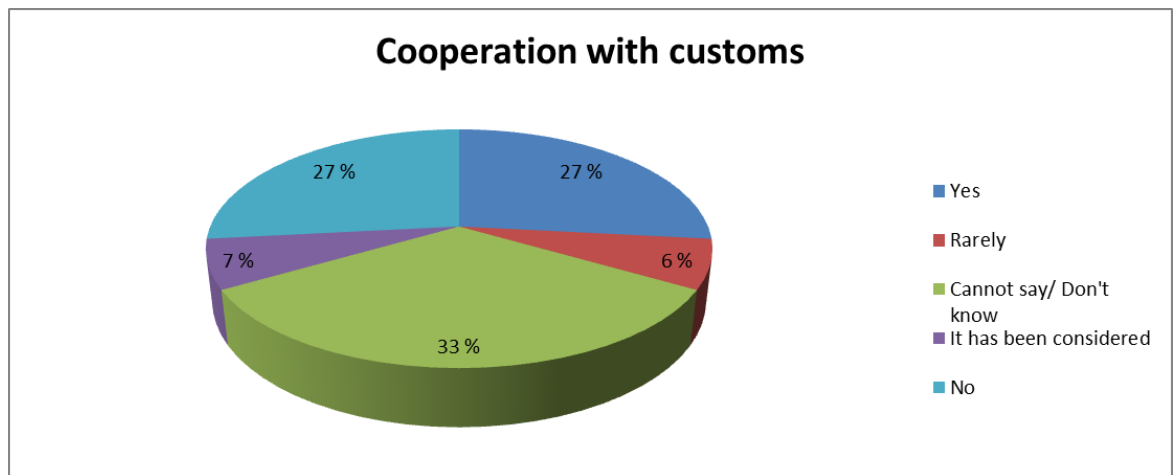
Figure 7. Cooperation with customs (N=16)

Majority of the respondents answered that they do not know or cannot say. In this aspect companies have some improving to do, as it is important to be aware of such procedures. This is especially for the companies that operate internationally as customs is one of the most important waypoint in preventing grey market goods or counterfeits from entering the markets. For the companies that do not have international operations it is understandable that they do not do cooperation with customs.

Is there a need for brand protection or product protection because of illegal trade, such as counterfeiting and backdoor manufacturing?

This question was designed to determine whether the companies felt there was need to protect their brand and/or products from possible threats. For this question the respondents were given the following options to choose from: Frequently / Occasionally / Seldom / Never. Two out of 18 (2/18) felt that there is never a need for brand or product protection. Other one of these two companies is a consultant company. However the other company that answered there is never a need for brand or product protection has own patents and trademark and in later questions replies that there has been copying of the some of their products. This creates some conflict between this respondent's answers.

Three out of the 18 (3/18) answered that there is seldom need for brand or product protection and only four (4/18) answered that there is frequently need for brand or product protection. The vast majority of nine (9/18) answered that there is occasionally need for brand or product protection.
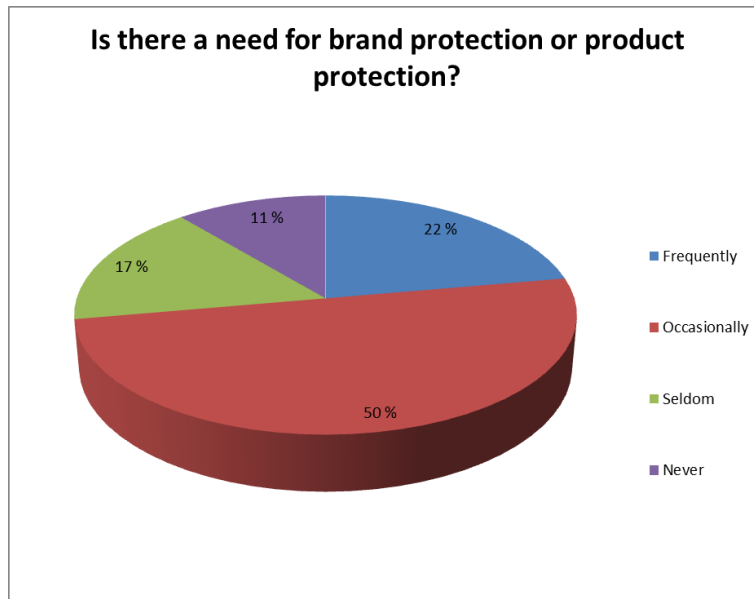
Figure 8. How often there is a need for brand protection or product protection? (N=18)

Do the respondents use third party manufacturers or sub-contractors?

Next the questionnaire was used to determine if the companies use third party manu-facturers or sub-contractors, as the use of these makes the threat of counterfeiting, backdoor manufacturing and the grey markets much higher. Again the options given were: Frequently / Occasionally / Seldom / Never.

Two of the respondents did not answer this question (2/18) and only one (1/18) an-swered that they never use third party manufacturers or sub-contractors. This re-spondent is in the clothing industry. Four (4/18) answered that they seldom use third party manufacturers or sub-contractors and four (4/18) answered they occasionally use these services. Majority of seven (7/18) answered that they use third party manu-facturers or sub-contractors frequently.

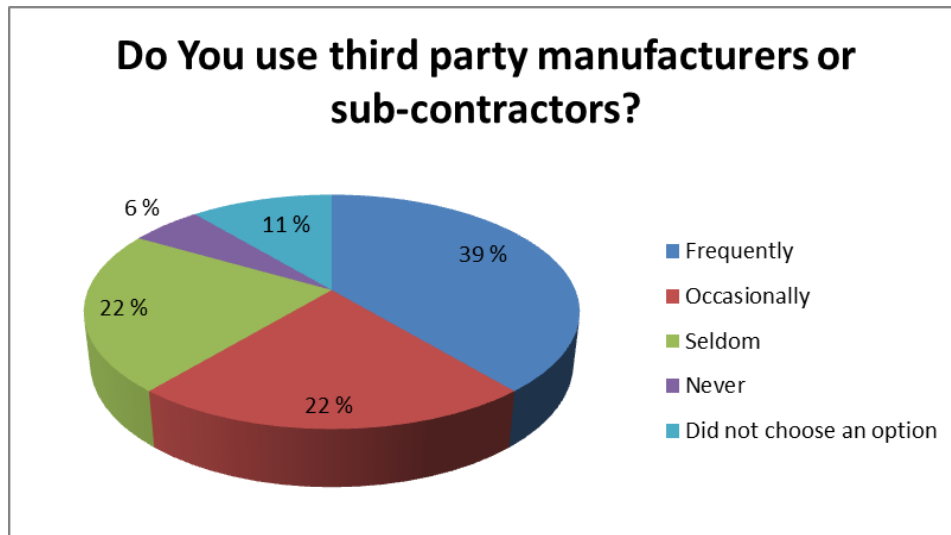Figure 9. How often do the companies use third party manufacturers or sub-contractors? (N=18)

Do the companies conduct due-diligence investigations before making contracts with other companies?

This question was intended to determine if the respondents conduct due-diligence investigations before making contracts with other companies. Some of the respondents already mentioned some of their procedures when starting new cooperation with a company in question three follow up question "How would You describe the difference in security level depending on the country of operations?" The options for this question were the same as in previous question: Frequently / Occasionally / Seldom / Never.

Majority of the respondents conduct due-diligence investigations before making contracts with other companies. Eight (8/18) says that they do due-diligence investigations frequently and seven (7/18) says they do due-diligence investigations occasionally. Two (2/18) of the respondents answered that they seldom do due- diligence investigations. None of the respondents answered never. All of the respondents that in question nine "Do You use third party manufacturers or sub-contractors?" answered frequently or occasionally said in this question that they perform due- diligence investigations at frequently or at least occasionally.

What tools of standardization companies have for controlling the quality with sub-contractors or third party manufacturers?

In this question the respondents were given a list of tools of standardization to choose from. They were able to choose more than one option. The options were:

- Efficient contracts
- Onsite inspections
- Regular/ occasional unannounced audits
- Full control over key raw materials/ components
- Not allowing the use of unauthorized third party manufacturers or sub-contractors
- Quality inspections of products
- Confirming production volumes (so there is no threat of backdoor manufacturing or grey markets)

Table 9. Tools of standardization (N=18)

Efficient contracts	Onsite inspections	Regular/ occasional unannounced audits	Full control over key raw materials/ components	Not allowing the use of unauthorized third party manufacturers or sub-contractors	Quality inspections of products	Confirming production volumes (so there is no threat of backdoor manufacturing or grey markets)
x	x	x		x	x	
x	x	x			x	x
x	x	x	x	x	x	x
	x	x	x	x	x	
x	x		x			
x	x	x			x	x
					x	
x	x				x	x
x						
x	x				x	
x	x				x	
x						
x	x				x	
x						
x	x	x	x	x	x	x
x	x	x		x	x	
x	x				x	
x	x	x		x	x	

The table above shows how the answers were divided by tools. The most common tools according to this survey were efficient contracts (16/18), onsite inspections (14/18) and quality inspections of products (14/18). All of the tools were chosen at

least once and no one left this question without an answer. Regular/occasional unannounced audits was chosen by seven (7/18) companies, not allowing the use of unauthorized third party manufacturers or sub-contractors and confirming production volumes was chosen by five (5/18) and full control over key raw materials/ components was chosen by four (4/18) companies.
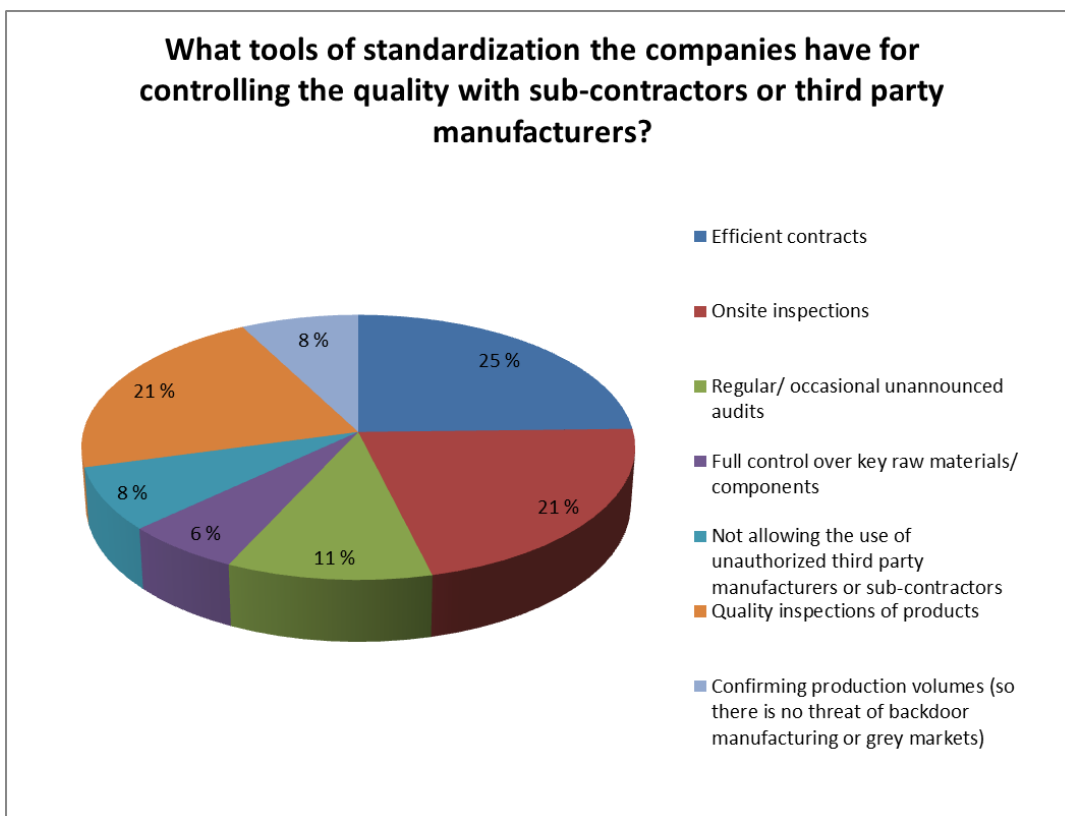

Figure 10. Tools of standardization (N=18)

Four out of the 18 (4/18) has one out of seven tools in use, five (5/18) of the companies uses three out of seven tools, one company (1/18) has four out of seven tools in use, six (6/18) companies has five tools in use and two (2/18) companies uses all seven tools.
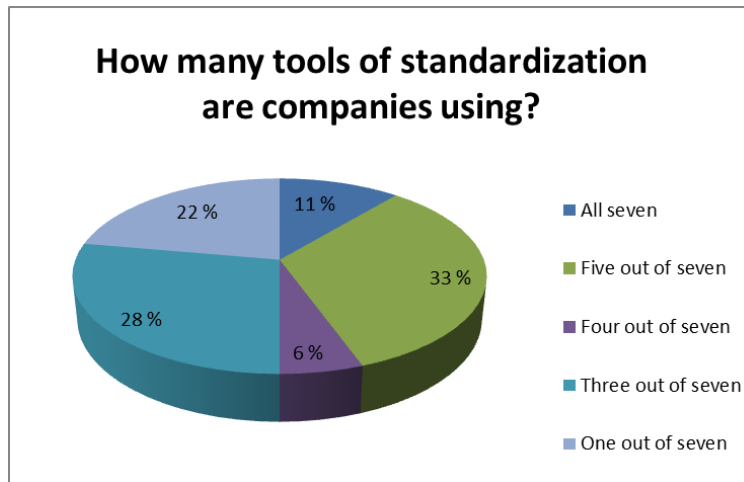
Figure 11. How many tools of standardization companies have in place? (N=18)

Do the companies perform regular risk assessments?

Then the companies were asked if they perform regular risk assessments. The options again were: Frequently / Occasionally / Seldom / Never. Three out of 18 (3/18) answered that they never perform risk assessments. Two out of 18 (2/18) said that they seldom make risk assessments and majority of nine (9/18) answered that they occasionally make regular risk assessments. Only four (4/18) said they frequently make regular risk assessments.

Figure 12. Conducting risk assessments (N=18)

If the companies answered that they make risk assessments the companies were asked, how are these conducted. The answers were again given in Finnish and they were translated to English. Six of the respondents answered this question.

One of the respondents said that they have a pre –planned programme, but did not specify what that programme exactly holds. Risk analysis and customer, ven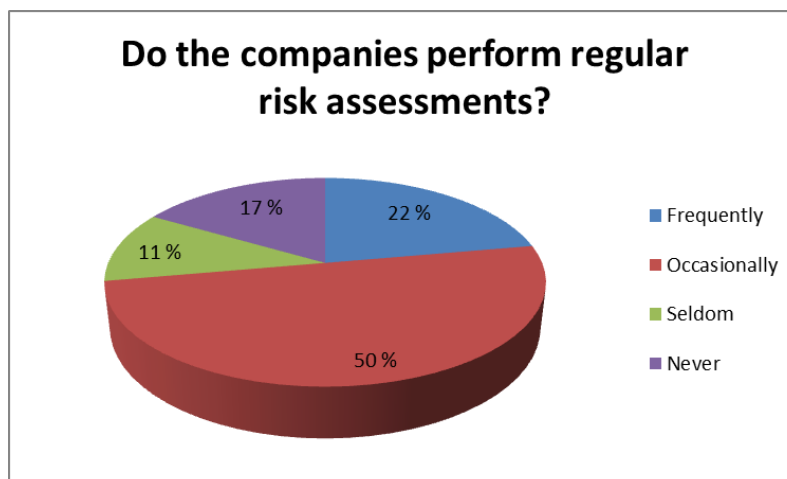dor, subcontractor and business partner audits were mentioned in several of these replies. It was also mentioned by one that the risk assessments are done by the company them self and no assistance from outsiders is used. One of the recipients mentioned that they also asses their own practices and product ranges as well as the market situations when starting new projects. One of the respondents is in the industry of medicine and supplements. Their reply was that their industry has specifically agreed risk assessment, HACCP: Hazard Analysis and Critical Control Points, which is used by the Food and Drug Administration. Their risk assessment is controlled by authorities which is why the risk assessments are regular.

Do the companies have annual budget for brand/product protection?
This question was a multiple choice question with the options of: Yes / No / No fixed amount, but if need arises some money is spent. Vast majority of the respondents (12/18) answered there is no fixed amount, but that if a need arises, some money is spent. Four (4/18) of the recipients said that there is no budget for brand/ product protection and only two (2/18) said that there is a budget for brand/product protection.
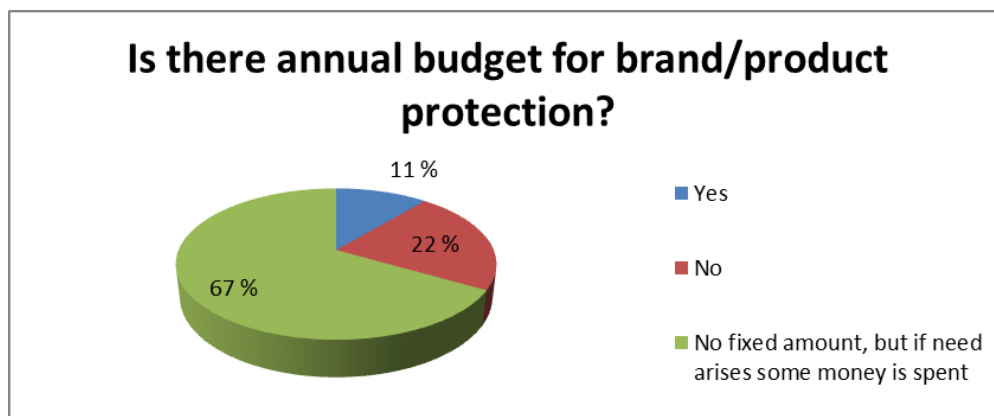
Figure 13. Budget for brand or product protection (N=18)

If the recipients replied yes or that there is no fixed amount but money is spent if needed they were then asked how much is the budget and how it is used. Seven (7) of the companies answered the question of how much is the budget. Two of the recipients (2/7) said that the budget is confidential and another two (2/7) said that the budget is determined when needed, and other of these recipient defined that the max-

imum is tens of thousands of Euros. One (1/7) other recipient also mentioned the maximum is tens of thousands of Euros and two (2/7) mentioned more detailed budgets of 10 000-20 000 and 30 000.

When asked where is the budget used the answers were: to patents, trademarks, IPR-maintenance, authentication, to cover the expenses of brand control and trade dress, on lawyers and on following offences against protected brands. Eight (8) answered to this question.

The respondents were asked whether or not the amount of the budget is same every year, or does it increase or decrease. This was a multiple choice question. Five of the respondents answered this question. Two (2/5) said that the budget increases every year and three (3/5) said that the budget stays the same.

If the respondents answered that there is no budget, they were asked why this is. Five recipients answered this question, which means that some of the ones that answered there is no fixed amount, but money is spent if needed answered also this question as only four answered that there is no budget. One (1/5) of the recipients said that there is not yet a budget because their brand is just developing and it has not come up yet. The company operating in medicine and supplement industry said that there is no budget because the observation is done by the authorities. Two (2/5) of the recipients said that because of their line of business they do not need product protection, the other one of these produce packaging and the other one is a consultant company. One (1/5) company said that the matter has never come up.

Furthermore from the ones that do not have a budget were asked if their company was planning on making a budget for it. This question was answered by six (6), which, like in previous question, means that some of the ones that answered that there is no fixed amount, but money is spent if need arises answered this question. One (1/6) of these companies said that yes, they are planning on a budget. Four (4/6) answered that they are not planning on a budget and one (1/6) said that they do not know. Then they were asked if there is a need for a budget. Five (5) of the recipients answered this question. One (1/5) answered yes there is, one (1/5) that there might be a need for it and three (3/5) that there is no need for it.

What kind brand or product protection tools the companies currently have in use?

This question was open ended so that respondents could tell in their own words about the tools they are using. One of the respondents said that their most important strategic decision is to try and not file for patents. They hope that their clients would file for a patent on inventions that are developed in R&D and that their company only wants to get the license for them. This is a way for them to avoid the law procedures that are consequence of copying and patent infringements. The money saved in not filing their own patents is then used in R&D and this way they feel they can be few steps ahead from their competitors. This company also mentioned good customer relationship maintenance, patent infringement observation, and image building as a good business associate. Some of the respondents said they have no tools of brand or product protection in use. More conventional ways such as registered trademark, model rights, patents, and authentication identifiers on products, instructions on logo and brand visibility and action steering were mentioned by several.

PART B

Have the companies encountered brand integrity issues (counterfeits, grey market issues, sub-contractor or third party manufacturer contractual problems etc.)?

This question was a multiple choice question with the options: Frequently / Occasionally / Seldom / Never. Four of the respondents (4/18) said that they have frequently encountered BI issues. These companies have shown in their previous responses that they are in fact more prepared and more engaged in activities to prevent attacks, for example all of these companies mentioned that there is a budget for brand or product protection. Five of the respondents (5/18) said that they have occasionally encountered BI issues. Also these companies seemed to be more aware of BI issues. Seven out of the 18 (7/18) answered that they seldom have encountered BI issues. These companies did not have such common binder as could be found with the companies that mentioned they frequently or occasionally have faced BI issues. Two of the respondents (2/18) said that they have never encountered BI issues. Other one of these works in Medicine and supplement industry and other is a consulting company.

On what level of the lifecycle these attacks occurred?

This question was designed to distinguish what are the most vulnerable stages in lifecycle for these attacks to occur. The respondents were given a list of options to choose from. They were able to choose more than one option. The options were:

- R&D- Level
- Manufacturing- Level
- In distribution
- Other /what?

Five of the respondents (5/18) said that attacks have occurred in R&D- Level. Eight (8/18) of the respondents said that attacks have occurred in manufacturing- level and seven (7/18) said that the attacks happened in distribution. Five (5/18) of the respondents chose other. The others mentioned were: Copying of package structures, fakes and copies of products that already have well established place in the markets, domain name, infringements of the brands and trademarks of the corporation and Copies of the products that are being sold.

Table 10. On what level of lifecycle attacks have occurred? (N=18)

On what level of the life cycle attacks against the product/brand integrity occured?			
R&D-lLevel	Manufacturing Level	In distribution	Other
5	8	7	5

Interesting notion made in this question was that the other one of the companies that answered they have never encountered BI issues in the previous questions chose all three of the levels that were options here. This creates some conflict between the answers of this respondent. This brings up a question that has the respondent not thought about the answers thoroughly enough or should the respondent have explained the answers he/she gave better. It could also be that the respondent has not understood the concept of BI or the respondent did not understand the question. The other respondent that in question 15 answered "never" did not answer this question. Three (3/18) of the respondents chose two of the options, two (2/18) chose all three options and 12 (12/18) chose one option.

What kind of information was compromised?

This question was designed to explore even further what kind of information was compromised during these attacks. The respondents were given a list of options to choose from. They were able to choose more than one option. The options were:

- R&D (Product design/specifications that were not public, business idea)
- Manufacturing information
- Information about your supply chain (timetables, distributor information etc.)
- Information about your customers
- Business strategies or marketing schemes
- Other /what?

Six (6/18) said that attacks compromised their R&D- information and another six (6/18) said that their manufacturing information was compromised. Two (2/18) answered that information about their supply chain was compromised, one (1/18) answered that information about their customers was under attack and two (2/18) said that their business strategies or marketing schemes were compromised. Seven (7/18) of the respondents chose other. The answers again were given in Finnish, and they have been translated into English:

- "There are fake products on the markets and it is not always clear to the consumer are they buying our authentic product or a counterfeit."
- "The quality of counterfeits or copies is not equivalent to the authentic product."
- "Identity"
- "Pirate manufacturers used our trademark."
- "Copies"
- "Plagiarism"
- "Graphical design, invented in our R&D was used without permission."
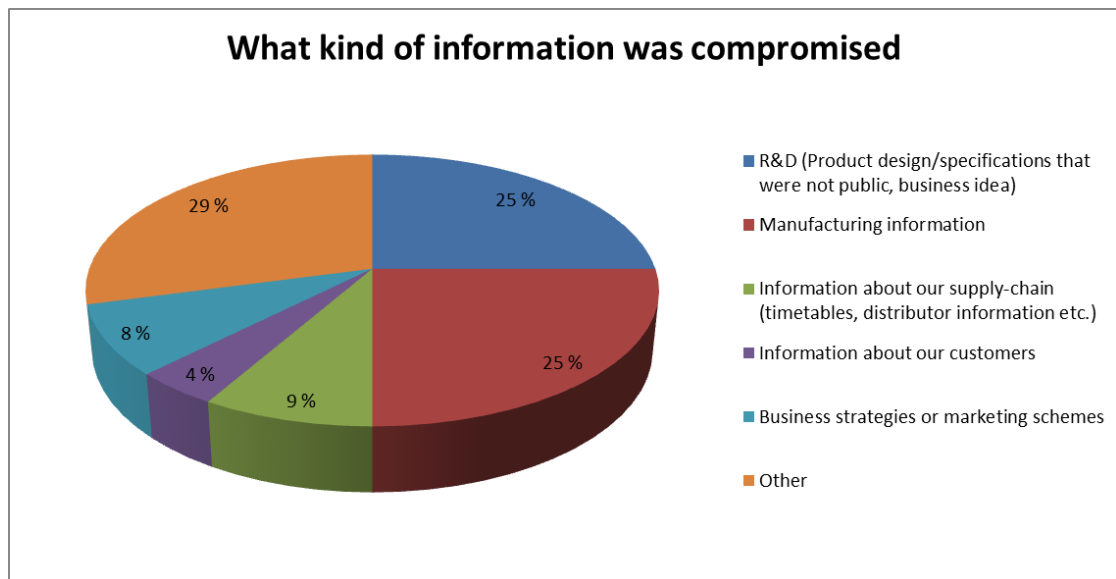
Figure 14. What information was compromised? (N=18)

Four (4/18) chose two out of the six options, one (1/18) chose five out of six options and 12 (12/18) of the respondents chose one out of the six options.

Then the respondents were asked to describe these incidents. These answers again were given in Finnish and they have been translated to English. In summary some of these are:

- Unauthorized use of packaging structures that were designed and patented for clients.
- Actual copying and taking advantage of the company's prestige reputation in the marketing of the counterfeit products, distortion of price/product information and spreading inaccurate information to the customers.
- There are counterfeits on the market and it is not always clear to the customer if they are authentic products or not.
- Customers buy counterfeits and copies, and think that they are genuine products; they associate the bad quality then to the genuine manufacturer.
- False accusation (legal action) of patent infringement, with the intention of just harming the business.
- Information of the company was used without permission when reserving domain name.
- The issues were the clients of the respondent. These were not specified further.

- Few cases of plagiarism.

- Graphical design, designed by the company answering the questionnaire, ended in packaging, marketing material and webpages etc. of competitors, without permission

Are the companies able to specify the total amount of suspected attempts to compromise their proprietary and/or trade secret information?

The recipients were asked to specify both the unsuccessful and the successful ones and to do this with few sentences or with an actual amount of attempts. Only eight (8) of the respondents answered this question. Two (2/8) of the respondents said that the amount of attempts cannot be estimated. One (1/8) of the respondents said that they have no knowledge of the total amount but several cases around the world. One (1/8) of the companies said that there have been very few attempts. Some of the respondents were able to give more precise amounts. One (1/8) of the respondents said that they have one incident that is still on going and one (1/8) company estimated that there have been two failed attempts. One (1/8) company estimated that the total amount is as big as 20 and one (1/8) estimated that the amount is a few tens of attempts.

Can the companies estimate the impact this had on their reputation and/or profits?

The respondents were asked to answer this question with few sentences or an actual amount. Ten (10) of the respondents answered this question. Most of the respondents said that the effects have been very small or next to nothing or that they have been able to prevent problems and damages. Many also said that there either is no estimation of damage or that they (the people answering the survey) are not able to estimate the impact. One of the respondents said that spreading of incorrect information and marketing of bad quality copies as genuine has harmed their reputation, and one responded estimated that their brand value has suffered and their sales have gone down. The company that in earlier question said that they were falsely accused of patent infringement estimated that the effects on them have been rather small and that the bigger effect was actually on the reputation of the company who made false accusations; that company is seen as an unpleasant and deceptive in the industry because they have made false legal actions against other companies as well.

10 SUMMARY AND CONCLUSIONS

Manufacturing sites are moving further and further away from the markets. For this reason counterfeiting, backdoor manufacturing and illegal trade have become major problems for brands and companies worldwide. Counterfeiting and grey markets bring down dozens of companies daily and leave hundreds of thousands unemployed every year. Illegal trade does not only threaten the financial solidity of brand owners and companies but it is a threat for the means of nations and the well-being of their citizens. Intellectual property protection is essential for the well-being and very existence of brands. When investments cannot be protected, there is no motivation for making them.

As intellectual property rights (IPR) are vital for companies, it is surprising how little attention they are shown. Often brand protection is just pushed to the legal departments and no more consideration is given to it. However, legal protection is not enough and brand protection should be at the very core of business decision making. Brand integrity protection needs to be from the information production to product production. Protection needs to take place in every level of the product lifecycle and doing business with no gaps, whether it is R&D- related, patent, production or distribution related. Managers and owners should enhance stewardship and goodwill in companies, not exploitation. Illegal trade is the biggest reason for profit loss in companies today. It also creates negative consumer experience which causes damage to the goodwill and reputation of the brand. The consequences of illegal trade go beyond economic damage. Fake pharmaceuticals find their way into pharmacies and hospitals. It is estimated that in some low-income countries fake pharmaceuticals may be as common as 30 per cent. Almost all everyday consumer goods are counterfeited.

According to the survey, most respondents believe they understand BI rather well (11/18) or well (3/18). Three companies thought they understand it rather poorly (3/18) and option not at all was chosen only once (1/18).

Most of the companies that participated in this study operate internationally (13/18). The remaining companies do not have international activities. Though most of the

respondents have international operations, majority (10/18) said that there is no difference in security level. Remaining respondents said that there is a difference in security level depending on the country of operations. This leads to a conclusion that the dangers involved in moving operations further away is not fully understood in all of the companies. One of the companies who answered there is a difference specified that for example in Asian countries they do not understand the matter of BI the same way as the westerns do.

When asked do the companies use services of an IPR-consultant company most of the respondents (7/18) said that they occasionally use these services and second largest group (5/18) said that they frequently use these services. One of the respondents (1/18) answered seldom and two (2/18) answered that they never use the services of an IPR-consultant company. Some even have their own IPR-department (3/18). This means that almost all of the respondents have legally protected their most valuable products or their name and logo.

Question about custom cooperation was an open ended question. From the answers it could be summarized that majority of the companies either do not have cooperation with customs or that they do not know if they have. Only four (4/18) of the respondents knew that they have cooperation with customs. It would be interesting to know why this question seemed difficult to answer.

Majority of the companies own trademarks (16/18) and eleven (11/18) of the respondents have patent(s). When asked if there was need for brand or product protection two (2/18) felt that there is never a need for it. Other one of these companies is a consultant company which makes this answer understandable. However the other owns patents and trademarks and in later questions replies that there has been copying of some of their products. This creates conflict between the respondent's answers. Three (3/18) answered that there is seldom need for brand or product protection, four (4/18) answered frequently and nine (9/18) that there is occasionally need for it. Related to this question most of the respondents have encountered BI issues either frequently (4/18), occasionally (5/18) or seldom (7/18). Only two (2/18) said they have never encountered Bi issues.

Almost all of the respondents use sub-contractors or third party manufacturers at least seldom (4/18) occasionally (4/18) or frequently (7/18). Two (2/18) did not answer this question and only one (1/18) answered never. The use of sub-contractors and third party manufacturers makes the risks of backdoor manufacturing, counterfeiting and grey markets much higher. When asked what tools they have to control sub-contractors or third party manufacturers most common tools mentioned were efficient contracts (16/18), onsite inspections (14/18) and quality inspections (14/18). Regular/ occasional unannounced audits was chosen by seven (7/18), not allowing the use of unauthorized third party manufacturers or sub-contractors and confirming production volumes was chosen by five (5/18) and full control over key raw materials/components was chosen by four (4/18).

Closely related to question about sub-contractors and third party manufacturers was a question about due-diligence investigations. Majority does due-diligence investigations before doing business with other companies. Eight (8/18) does them frequently, seven (7/18) occasionally and two (2/18) seldom. This finding was very positive. Next the respondents were asked if they perform regular risk assessments. Three (3/18) answered that they never perform risk assessments, two (2/18) that they seldom make them and majority of the respondents said that they either make risk assessments occasionally (9/18) or frequently (4/18).

Related to risk assessments and tools of standardization is question about budget for BI. Majority of the companies (12/18) does not have any fixed budget for brand or product protection, but money is spent according to need. Four (4/18) companies did not have a budget at all and only two (2/18) have a budget. Most of the ones with a budget said that it stays the same every year. When asked how the budget is used the answers were: to patents, trademarks, IPR-maintenance, authentication, to cover the expenses of brand control and trade dress, on lawyers and on following offences against protected brands. From the ones that said they do not have budget one (1/18) said that they are planning a budget, four (4/5) that they are not and one (1/5) that they do not know. Furthermore one (1/5) recipient felt there is a need for budget, one (1/5) that there might be and three (3/5) that there is no need for it.

According to the survey results it seems that majority of the attacks occur either in manufacturing (8/18) or in distribution (7/18). R&D was not far behind (5/18). Re-

spondents could also determine another option and most said that this was the market place (5/18). When asked what information was compromised majority answered manufacturing (6/18) and R&D information (6/18). Other options were for e.g. supply chain information (1/18) or marketing strategies and business schemes (2/18). Here was also option "other, what?" (7/18) one of these replies was identity.

Many of the companies have encountered multiple attempts of attacks against their proprietary or trade secret information. The answers varied between one or two attempts to 20 and to so many that it was not possible for the respondent to evaluate. When asked the impacts of these attacks many said that impacts have been next to nothing or extremely small, some were not able to estimate the impacts. Some said that there has been harm to their reputation, brand value and sales due to counterfeits.

11 RECOMMENDATIONS

The outcomes were somewhat surprising in contrast to the theory and statistics. Most of the respondents in this study answered that they understand the concept of brand integrity at least rather well and only one answered that the concept of BI is not familiar to them at all. However if these answers are put against the background information that most of the respondents have had at least some level of negotiations with Starcke Oy, this gives some explanation to these results. Also some of the biggest brands that answered this survey probably have already had so many interactions with counterfeiters that their knowledge is for this reason very comprehensive. Another possibility is that since there were some companies who gave answers that were rather in conflict with each other, the respondents in fact are not so informed about the issues as they would like to think. However in the case of a consultant company it is understandable that they are well aware of BI.

Even though most of the respondents have international operations majority said that there is no difference in security level depending on the country of operations. This indicates that the dangers of moving operations across the seas are not seen in most of the companies. In retrospect there could have been more follow-up questions for

this specific question. For instance it would have been interesting to know whether or not they have differential pricing depending on the country of operations. This would have explored the risk of grey market activities.

In question seven the respondents were asked if they have cooperation with the customs. The answers in this question showcased that majority of the companies either do not have cooperation with customs or that they do not know if they have. Only four of the respondents said that they have cooperation with customs. Two respondents left this question without an answer, which leads to the conclusion that these recipients did not know about this matter. It would be interesting to know why this question seemed difficult to answer. Especially so, because customs watch programmes are very important tool in global business to prevent grey market or counterfeit goods from ending up in the marketplaces. When reflecting to the fact that so many answered that they do not know, the level of employee and management involvement should be increased in these companies.

It was positive to notice that majority of the respondents often conduct due-diligence investigations and most of the respondents also use the services of IPR-consultant companies. These methods are important as most of the companies use either frequently or occasionally sub-contractors or third party manufacturers. In hindsight there should have been question specifying are the due-diligence investigations only done on such business partners as vendors and sub-contractors or are all, even the smallest participants in the supply chain checked. The fact that so many of the respondents use services of IPR-companies shows that the legal aspects in BI protection are taken care of. Legal services are being used and patents are filed. This information is quite consistent with the literature and statistics. However companies should also consider other ways to protect what is theirs, as legal actions can only be taken against someone after there has already been an infringement.

In the question 11 where the respondents were asked what tools of standardization they have in use when it comes to third party manufacturers and sub-contractors all of the respondents replied. However in the previous question one of the recipients answered that they never use third party manufacturers or sub-contractors and two did not answer that question. This showcases inconsistency in some of the answers. The most common tools for companies in this study were efficient contracts, onsite

inspections and quality inspections. Regular/ occasional unannounced audits, not allowing the use of unauthorized third party manufacturers or sub-contractors and confirming production volumes and full control over key raw materials/components were also chosen by many of the companies.

Based on the survey results it seems that the attacks occur rather equally in manufacturing, distribution and in R&D. The respondents were given opportunity to specify another lifecycle level where information was stolen. Majority of respondents that chose to specify said that information was stolen from the market place, so it could be said that there has been copying based on reverse logistics. Reflecting to this question later on, there should have been a fifth option "In the marketplace".

Since there seems to be information loss in all levels, the companies probably do not have enough tools of protection in use. It would be recommendable for companies to have their entire supply chain audited to see which actions and participants are the ones that enable information theft. For the attacks that occur in the marketplace, the problem often is in the product/package design. The design should be so that it cannot be copied. Or at least that it cannot be copied so well that the counterfeit cannot be differentiated from the genuine. There should be identifiers on the products or packages that cannot be copied and the customers should know what these identifiers are so they would not accidentally buy counterfeits. If the attacks occur mostly in distribution, tools which enable tracing the products throughout the supply chain should be considered. These tools can be for example RFID-tags and more specifically NFC-tags, as these do not require expensive investments into machinery.

When asked what information was compromised majority answered manufacturing and R&D information. Other options were supply chain information and marketing strategies and business schemes. This question also had option "other, what?". One of the replies was identity. Internal audits conducted in order to find out why information leaked.

Many of the companies answered that they have encountered multiple attempts of attacks against their proprietary or trade secret information; some even said that they cannot estimate the total amount. When asked about the impacts of these attacks many said that impacts have been next to nothing or extremely small, all were not

able to estimate the impacts. Some said that there has been harm to their reputation, brand value and sales due to counterfeits. It is worrying that companies are not able to estimate the amount of attacks or evaluate the impact. It would be recommendable that the companies would create tools of standardization or measurements so that they could estimate the damages that have occurred and detect the attacks from early on.

When reflecting to the theory and statistics, it is staggering to realize that at times the criminals seem to be better in running their business operations than many of the OEM's, as only a fraction of these criminals get caught. Their supply chain is very well organized. This being said the best way to tackle this is not to take influence from counterfeiters, even though some aggressive countermeasures against them should be taken. The real answer is to go back to the integrity; pay enough to employees to make them loyal, make ethical decisions, trust on quality to talk for itself and rather go for fair trade than cheap price. The manufacturing sites should never be so far out the companies reach that it is impossible for them to know exactly what is going on in their supply chain. One by one the companies that have forgotten about ethics of doing business have started to crumble as the public is ever more conscious about human rights and ecological issues.

There is still a lot to research about this subject and this matter could have been investigated a lot more deeply than what it is investigated here. The time span was probably not adequate. Especially designing the questionnaire and analysing the results would have required more time. However as the questions were analysed many improvement suggestions for a new questionnaire came up. This is why it should be considered that a similar questionnaire with the mentioned improvement was designed and conducted with a more flexible time span. In this case there could also be more time to gather even larger group of participants.

For future steps a summary of the theory and main findings should be created. Whether this is done in Finnish or in English is still an open question. This summary of theory and findings can then be presented to the companies that participated in the study and possibly to some other brand owners and business partners of Starcke Oy. Also from these results Starcke Oy can evaluate what are the biggest pit falls and

problems in companies concerning BI management and possibly develop the services they offer even further.

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QUESTIONNAIRE

Brand Owners' awareness of Brand Integrity

The distance between markets and manufacturing sites is getting bigger and bigger. This makes counterfeiting, backdoor manufacturing and illegal trade a major problem for brands. Whilst counterfeiting and not being able to authenticate own products are brands' worst enemies, illegal trade has become a genuine threat to the means of nations and to the well-being of their citizens'. Illegal trade brings down dozens of companies every day and puts an end to hundreds of thousands of jobs each year.

The purpose of this survey is to research Brand Owners' awareness of Brand Integrity, to explore the importance of it in business operations and to find out how Intellectual Property Right-issues are taken care of in companies.

Part A is about the background and demographics and tools that are in use
Part B more specific information about attacks that have occurred.

PART A

1. **What industry is Your company in?**

2. **How well is the concept of Brand Integrity understood in your company?**

   Very well   Rather well   Rather poorly   Poorly   Not at all

3. **Does Your company operate:**

   In one country   internationally

        Please specify where:

   a. **If Your company operates in more than one country, how would You describe the difference in security level depending on the country of operations (for e.g. more thorough due-diligence investigations, better security systems on the products/ facilities)?**

4. **Does Your company own trademarks?**

   Yes   No

5. **Does Your company own patents?**

   Yes   No

6. **Does Your company use services of an IPR- consultant (Intellectual Property Rights) company?**

   Frequently   Occasionally   Seldom   Never

   We have our own IPR department

7. **Does Your company have some type of cooperation agreement with customs (for. e.g. are you part of the IPM, Interface Public Member)?**

8. **Is there a need for brand protection or product protection because of illegal trade, such as counterfeiting and backdoor manufacturing?**

   Frequently   Occasionally   Seldom   Never

9. **Do You use third party manufacturers or sub-contractors?**

   Frequently   Occasionally   Seldom   Never

10. **Does Your company conduct due-diligence investigation before making contract with other company?**

    Frequently   Occasionally   Seldom   Never

11. **What tools of standardization Your company has for controlling the quality with sub-contractors or third party manufacturers?(You can choose more than one option)**
    - Efficient contracts
    - Onsite inspections
    - Regular/ occasional unannounced audits
    - Full control over key raw materials/ components
    - Not allowing the use of unauthorized third party manufacturers or sub-contractors
    - Quality inspections of products
    - Confirming production volumes (so there is no threat of backdoor manufacturing or grey markets)

12. **Does your company perform regular risk assessments?**

    Frequently   Occasionally   Seldom   Never

    a. **If yes, how are these conducted?**

13. Is there annual budget for brand/product protection?

        Yes   No   No fixed amount, but if need arises some money is spent

If yes or no fixed amount

      a. How much is the budget?

      b. How is it used?

      c. Is the amount same every year, or does it increase?

    Same every year   Increases every year   Decreases every year

        If no

      a. Why not?

      b. Is Your company planning on making a budget for it?

      c. Is there a need for it?

14. What kind brand/product protection tools You currently have in use?

PART B

15. **Has Your company encountered brand integrity issues (counterfeits, gray market issues, sub-contractor or third party manufacturer contractual problems etc?)**

    Frequently   Occasionally   Seldom   Never

16. **On what level of the lifecycle these attacks occurred (You can choose more than one option):**

    - R&D- Level
    - Manufacturing- Level
    - In distribution
    - Other /what?

17. **What kind of information was compromised (You can choose more than one option):**

    - R&D (Product design/specifications that were not public, business idea)
    - Manufacturing information
    - Information about your supply chain (timetables, distributor information etc.)
    - Information about your customers
    - Business strategies or marketing schemes
    - Other /what?

    a. **Please describe these incidents:**

18. Are You able to specify the total amount of suspected attempts to compromise Your proprietary and/or trade secret information? Both the unsuccessful and the successful ones. (Please answer with few sentences or with an actual amount of attempts).

19. Please estimate the impact this had on Your company's reputation and/or profits (Please answer with few sentences or an actual amount).

Tervehdys,

Olen opiskelija Satakunnan ammattikorkeakoulussa ja teen parhaillani opinnäytetyö-tä brändin eheydestä, liittyen tuoteväärennöksiin, laittomaan kauppaan sekä immateriaalioikeuksiin.

Aiheen opinnäytetyöhöni sain Starcke Oy:ltä, jossa olen jo muutamana vuotena työskennellyt.

Toivoisin, että käyttäisitte hetken aikaanne vastataksenne pieneen kyselyyn. Kysely sisältää 19 kysymystä ja siihen vastaaminen ei vie paljon aikaa. Kuitenkin kysymyk-set ovat sen luonteisia, että niihin vastaaminen vaatii tietoa miten kyseiset asiat hoi-detaan yrityksessä. Tämän vuoksi Ari-Veli Starcke* lähestyi teitä asian tiimoilta jo aiemmin. Käytössä on netissä toimiva eLomake, linkki kyselyyn alla. Kyselyn voi täyttää suomeksi tai englanniksi.

Kysely suomeksi:

https://elomake.samk.fi/lomakkeet/3299/lomake.html

Kysely englanniksi:

https://elomake.samk.fi/lomakkeet/3297/lomake.html

Kysely on luottamuksellinen ja yrityksen nimi ei käy ilmi vastauksista. Olisi kuiten-kin hienoa jos saisin mainita yrityksenne nimen opinnäytetyössäni. Jos saan mainita työssäni, että yrityksenne vastasi kyselyyn, niin vastatkaa tähän sähköpostiin. Jos nimeänne ei saa käyttää, ei teidän tarvitse tehdä mitään.

Jos kysely herättää kysymyksiä tai teille jää jotain epäselväksi, voitte vastata tähän sähköpostiin ja autan mielelläni.

* Jos joku muu kuin Ari-Veli Starcke oli lähestynyt yritystä, käytin tämän nimeä sähköpostiviestissä. Yritystä jota lähestyin itsenäisesti ilman myyjän apua, lähestyin viitaten omaan aiempaan puheluun.

APPENDIX 3

Yritysten tietoisuus brändin eheydestä

Välimatka markkinoiden ja tuotantolaitosten välillä kasvaa päivittäin. Tämän vuoksi tuoteväärennökset, takaovivalmistus ja laiton kauppa ovat entistä suurempi uhka yrityksille. Tuoteväärennökset ja kyvyttömyys tunnistaa omat autenttiset tuotteet väärennöksistä ovat yritykselle nykyään yksi suurimmista ongelmista. Samaan aikaan laiton kauppa heijastaa uhan valtioiden ja kansalaisten hyvinvoinnille. Laitonkauppa tuhoaa päivittäin kymmeniä yrityksiä ja aiheuttaa tuhansille ihmisille työttömyyttä vuosittain.

Tämän kyselyn tarkoitus on tutkia sitä, miten tietoisia brändien omistajat ovat käsitteestä "brändin eheys", sen tärkeydestä liiketoiminnassa sekä saada selville, miten IPR-asioita (Intellectual Property Rights, immateriaalioikeudet) hoidetaan yrityksissä.

Osio A koostuu taustatiedon kartoituksesta ja demograafisentiedon keräämisestä.
Osio B käsittelee tarkemmin tilanteita joissa brändin eheys on ollut vaarassa.

OSIO A

1. **Millä alalla yrityksenne toimii?**

2. **Miten hyvin käsite "brändin eheys" tunnetaan yrityksessänne?**

Hyvin   Melko hyvin   Melko huonosti   Huonosti   Ei lainkaan

3. **Onko yrityksellänne toimintaa:**

        Yhdessä maassa   kansainvälisesti

        Missä:

    a. **Jos yrityksellänne on toimintaa kansainvälisesti, onko turvallisuus asteessa eroa eri maiden välillä (yhteistyökumppaneiden tarkemmat taustatarkastukset, paremmat turvajärjestelmät tuotteissa/tiloissa tms.)?**

4. **Onko yrityksellänne tavaramerkkejä?**

        Kyllä   Ei

5. **Omistaako yrityksenne patentteja?**

        Kyllä   Ei

6. **Käyttääkö yrityksenne IPR- konsultointiyrityksen/yritysten palveluita (Intellectual Property Rights, immateriaalioikeudet)**

Usein   Joskus   Harvoin   Ei koskaan   Meillä on oma IPR osasto

7. **Tekeekö yrityksenne yhteistyötä tullin kanssa (esim. onko käytössä IPM, eli Interface Public Member- ohjelma)?**

8. Onko yrityksellänne tarvetta brändin- tai tuotteidensuojeluun laittoman kaupan riskeiltä, kuten väärennöksiltä, kopioinneilta tai laittoman alihankkija valmistuksen eli ns. takaovivalmistuksen vaaroilta?

Usein   Joskus   Harvoin   Ei koskaan

9. Käytättekö ulkopuolisia valmistajia (third party manufacturers) tai alihankkijoita?

Usein   Joskus   Harvoin   Ei koskaan

10. Suorittaako yrityksenne taustaselvityksen (asianmukainen huolellisuustutkimus) ennen sopimuksen tekemistä toisen yrityksen kanssa?

Usein   Joskus   Harvoin   Ei koskaan

11. Mitä standardisointi työkaluja yrityksellänne on laadun tarkkailuun, jos käytössä on alihankkijoita tai ulkopuolisia valmistajia? (Voit valita enemmän kuin yhden vaihtoehdon)

- Tehokkaat sopimukset
- Paikan päällä tapahtuvia tarkastuksia
- Säännöllisiä/ ajoittaisia valvontatarkastuksia, joista ei ole ilmoitettu etukäteen
- Täydellinen kontrolli pääraaka-aineista/ komponenteista
- ei-auktorisoitujen ulkopuolisten valmistajien tai alihankkijoiden käyttäminen on kielletty
- Tuotteiden laatutarkastuksia
- Tuotantomäärän varmentaminen (jotta voidaan välttää takaovivalmistuksen tai harmaiden markkinoiden vaarat)

12. Suorittaako yrityksenne säännöllisiä riskiarviointeja?

Usein   Joskus   Harvoin   Ei koskaan

a. Jos yrityksenne tekee riskiarviointeja, niin miten nämä käytännössä suoritetaan?

13. Onko yrityksellänne vuosittaista budjettia brändin/ tuotteiden suojeluun?

Kyllä   Ei   Ei tiettyä summaa, mutta jos on tarve niin siihen käytetään rahaa

Jos vastasit kyllä tai ei tiettyä summaa

a. **Kuinka paljon tämä budjetti on?**

b. **Miten tämä budjetti käytetään?**

c. **Onko budjetti sama joka vuosi?**

Sama joka vuosi   Kasvaa joka vuosi   Laskee joka vuosi

Jos vastasit ei

d. **Miksi ei?**

e. **Harkitseeko yrityksenne budjettia brändin- / tuotteidensuojeluun?**

f. **Onko yrityksellänne tarvetta sille?**

14. Mitä brändin- / tuotteidensuojelun työkaluja yrityksellänne on tällä hetkellä käytössä?

OSIO B

15. Onko yrityksenne kohdannut brändin eheyteen liittyviä ongelmia (väärennöksiä, harmaiden markkinoiden ongelmia, alihankkija tai ulkopuolisen valmistajan sopimus ongelmia yms.)?

Usein   Joskus   Harvoin   Ei koskaan

16. Missä vaiheessa tuotteen elinkaarella nämä hyökkäykset ovat tapahtuneet (voit valita enemmän kuin yhden vaihtoehdon):

- Tuotekehitys
- Valmistus
- Jakelu
- Muu / mikä?

17. Minkälainen tieto oli vaarassa (voit valita enemmän kuin yhden vaihtoehdon):

- Tuotekehitys (Tuotemallin-/ muotoilun-/ suunnitelmantiedot jotka eivät olleet julkisia, liike idea)
- Valmistukseen/ tuotantoon liittyvät tiedot
- Tilaustoimitusketjun tiedot (aikataulut, tuotteen jakeluun liittyvät tiedot yms.)
- Asiakastiedot
- Liikestrategia tai markkinointisuunnitelma
- Muu / mikä?

a. Kuvaile näitä tapauksia:

18. **Pystyttekö arvioimaan niiden hyökkäysten kokonaismäärän, joiden tarkoituksena on ollut vahingoittaa yrityksenne omaisuus- ja/tai liikesalaisuuksientietoja? Ottakaa huomioon sekä onnistuneet yritykset sekä epäonnistuneet yritykset. (olkaa hyvä ja vastatkaa muutamalla lauseella tai luvuilla).**

19. **Olkaa hyvä ja arvioikaa näiden kertojen vaikutusta yrityksenne maineeseen ja/ tai tuloihin (Olkaa hyvä ja vastatkaa muutamalla lauseella tai luvulla).**