TOPIC: Sustaining Brand Reputation in the Face of Counterfeiting: Considerations on the Complexity of a Business with Many Faces

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ABSTRACT:

The global trade for counterfeit brands exceeds $600 billion, which is about 7% of the total world trade (World Customs Organization: www.wcoomd.org). Counterfeit brands not only harm the reputation and revenue sources of legitimate brands, but can also lead to potential harmful effects for consumers, especially in the case of products like pharmaceuticals and computer software. While there have been several research studies examining different aspects of counterfeiting (e.g., (Nia & Zaichkowsky, 2000; Wilcox, Kim, & Sen, 2009), no research study has offered an integrated framework for strategies needed to sustain a brand's reputation in the face of different types of counterfeiting. The present research attempts an important first step in this direction.

Specifically, we propose a strategic framework for specific actions that companies can undertake to sustain their brands' reputations and tackle the adverse outcomes, taking into consideration the whole net of stakeholders, from two different types of brand counterfeiting. That is, we first draw a distinction between deceptive versus non-deceptive brand counterfeiting. Deceptive counterfeiting occurs when a consumer unwittingly buys a counterfeit brand without knowing that it is counterfeit; deceptive counterfeiting is prevalent for products like electronics, software, and pharmaceutical products bought over the Internet. Non-deceptive counterfeiting occurs when a consumer knows that the purchased brand is a counterfeit, but still chooses to buy it; this type of counterfeiting is prevalent for luxury brands mostly for apparels, shoes, and accessories. Companies need to adopt different strategies to tackle these two different types of counterfeiting.

Many stakeholders are involved in the counterfeiting issue. Governments and Supranational entities such as the UNO or the European Commission have raised their voices against the trade, counterfeited brands have a schizophrenic perspective on the issue with some acknowledging the potential positive effect of enhancement of brand awareness, producers of counterfeits hold strong connections with mafias and terrorist groups turning the problem into a political one, and consumers can be put in danger because of the poor quality of counterfeits. Hence, a complex network of stakeholders needs to be considered when one thinks about developing measures to tackle the counterfeiting issue, including from a branding perspective.

While the ideal theoretical solution would be to eradicate counterfeiting through legal/regulatory means or by convincing consumers not to purchase counterfeits, such an option is not practically feasible universally. In fact, although regulatory involvement can reduce the degree of counterfeiting (Kontnik 2006), it is not a foolproof option; moreover, not all regulators around the world would be able or willing to undertake strong anti-counterfeiting measures. Instead, alternative measures should be undertaken in addition to any legal measures.

For deceptive counterfeiting, the focus should be on: (1) Educating consumers on how to spot fakes. For instance, reputed brands like Canon gives detailed information on this

institutional website regarding this. (2) Informing consumers about the legitimate sources for obtaining the brand. For example, many pharmaceutical brands in several developing countries emphasize the need to buy the product from reliable stores to avoid getting counterfeit versions. For non-deceptive counterfeiting, two approaches could be taken, based on several criteria identified in the present research (both product- and market-related): (1) Highlight the hedonic benefits of being associated with the original brand (instead of with the counterfeit one). For example, Lacoste launched a series of advertising campaigns in Paris and London highlighting the benefits of being associated with the authentic brand. (2) Introduce lower priced versions of the original brand, with appropriate identifiers in lower income countries where they have the desire to be associated with the original brand but do not have the financial capability to afford the price of the original brand. For example, many book publishers introduce lower priced (and lower quality) books in developing countries instead of the higher priced original version launched in developed countries.

In this presentation, we will examine the complex network of stakeholders, as well as the potential benefits and drawbacks of each of the measures highlighted above.

References:

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