

How the Russian Company *Pallet Trucks* Used Public Relations Strategies to Protect its Business and the German Brand *Pfaff-silberblau* in Russia in 2001

Abstract

This case shows how crises can occur in a global economy. It describes how two companies, a German manufacturer and Russian retailer, partnered to combat a crisis when competitors started selling fake copies of the manufacturer's "brand" equipment. *Pfaff-silberbau* is an established international company, headquartered in Germany, that manufactures lifting and handling equipment. *Pallet Trucks*, at the time, was its exclusive Russian vendor.

While it is thought that smaller products such as make-up and electronic goods are easier to reproduce as fakes, it is assumed that heavy equipment like *Jeeps* or industrial goods cannot be easily duplicated. This case proves otherwise. Fake lifting and handling equipment was produced in a Chinese factory and sold in Russia under the *Pfaff-silberblau* brand name. As the counterfeit equipment began to cause profit losses and decreased consumer confidence in their brands, the companies worked together proactively, learned from the experience of their predecessors in new markets, and protected their brands. Specifically, this case highlights how public relations techniques can be used to address brand piracy in developing economies and New Independent Countries, when legal avenues are not feasible.

A Short History of Branding

It is an ancient practice to put markings on products to indicate who owned or made an item. For instance, the paintings on the walls of the Lascaux Caves in southern France contain marks that scholars say indicate ownership. These paintings were made 5,000 years ago. Artisans used stone seals to indicate the manufacturer, and some found in the Middle East date back to 3500 B.C. (Infoplease Web site, 2005). Not only did the marks indicate quality, but they also let people know whom to blame if there was a problem with the product. A trademark can be found on the bottom of a sandal dated from 200 BC (Barlow & Stewart, 2004, p. 24).

During the Middle Ages, trade guilds also began using marks to indicate who made a specific product. Bell makers were among the first to adopt the practice, followed by other manufacturers including paper makers. They added watermarks so people would know who made a particular sheet.

In 1266, the Bakers Marking Law, which governed the use of stamps or pinpricks on loaves of bread, was passed on. It is one of the earliest known laws on trademarks. Silversmiths were required to mark their products in 1363. Bottle makers and

manufacturers followed suit, possibly influenced by Chinese porcelain, which bore markings indicating origin.

One of the earliest court cases involving the improper use of a trademark occurred in England in 1618. The manufacturer of high-quality cloth sued a competitor who produced lower-quality cloth, but used the marking reserved for top-quality cloth. The case *Southern v. How* is considered the first case of actual trademark infringement. In 1876 England, the *Bass Red Triangle* was the first trademark to be registered (Feldwick, 1991, p. 19).

Trademark Laws in the U.S.

In the U.S., Thomas Jefferson urged the adoption of laws governing trademarks because of a 1791 dispute over sail cloth marks. While federal legislation was not forthcoming, some states passed their own laws. For instance, in 1842, Michigan required marks to indicate the origin of timber.

Federal trademark legislation was passed in 1870. Averill Paints received a trademark under this law in 1870, making it the first modern trademark issued in the United States. A trademark includes any word, name, symbol, or device, or any combination, used, or intended to be used, in commerce to identify and distinguish the goods of one manufacturer or seller from goods manufactured or sold by others, and to indicate the source of the goods. In short, a trademark is a brand name.

A service mark is any word, name, symbol, device, or any combination, used, or intended to be used, in commerce to identify and distinguish the services of one provider from services provided by others and to indicate the source of the services.

Brand Names Today

Today a huge body of law has developed around trademarks and patents. The number of trade-marked items has skyrocketed. The Brand Names Education Foundation (BNEF) estimates that the average supermarket carries 45,000 separate items, most of which are brand names. This figure is up from 12,000 to 15,000 items only 10 years ago, an indication of the explosive growth in brand names.

Brand names, which are registered with the government, have become an important part of business. Non-brand names, known as “generic” products, are usually less expensive. Yet brand names remain popular because they offer a guarantee of quality that generic products often cannot match. Some common household words—*aspirin*, *cellophane*, *nylon*, *thermos*, *escalator*—all started out as names for specific products but gradually became so common that they became generic names.

It is a difficult time for brands nowadays. Premium product and service brands are under continuous attack from lower-priced competition (Upshaw, 1995, p. 316). Customers who are not informed well enough about quality frequently choose the less expensive

offer. Both rapid growth in developing nations and New Independent States (former USSR) and slower growth in developed economies force businesses to look for new opportunities in new territories. However, publics there realize very quickly that they have many choices and become savvy. "A BRAND used to be a promise but as we move forward, a brand is a relationship, a living thing," Kyle Shannon, chief creative officer of AGENCY.COM, says (Clifton & Maughan, 2000, p. 61). Building the relationship becomes extremely important nowadays.

Government Protection and Violation

The U.S. Patent and Trademark Office, a branch of the Department of Commerce, keeps track of patent law. Currently, more than 2.3 million separate patents are in existence. In 2004, more than 298,000 trademarks came up for registration. Despite this, imitations, or counterfeits are widespread. The BNEF estimates that counterfeiting is \$60 billion industry worldwide, costing legitimate manufacturers 130,000 jobs annually. In 2004, a total of 2,900 notices of suits for trademarks were filed in various U.S. courts.

Germany's economy loses 30 billion euro (\$36.20 billion) a year due to counterfeited products, patents and design rights, according to the German action group against product and brand piracy. Global losses were evaluated at 300 billion euro (\$362.04 billion) (*German News Digest*, June 2005).

From November 2004 to March 2005 China arrested 419 suspects for trademark infringement crimes (State Office of Intellectual Property Protection). The one-year campaign against trademark infringement launched by the Ministry of Public Security has led to more than 340 cases involving 100 million yuan (US \$12 million). Of these 280 cases have been closed and 30 million yuan (\$3.62 million) of economic losses recovered (Chinese News, 2005).

The anti-piracy campaign, dubbed "Operation Eagle," has rooted out 81 major cases. In central China's Henan province, local police smashed five criminal gangs illegally manufacturing and selling fake medicine and equipment totaling 50 million yuan (US \$6 million). Various types of commodities were involved in the campaign, ranging from fake Toyota, Nissan and Mazda accessories, counterfeit Chanel and Boss cosmetics, household electronic appliances, medicine, clothing, tobacco, and alcohol.

Co-Branding

Co-branding can be a very successful strategy if "the resultant entity has a value greater than the value of the component parts" (Co-Branding, 1999, p. 9). Co-branding is a term that applies to many types of marketing activities involving at least two brand names. If the partners are well matched, the product or service becomes better and the both brands benefit. According to Tom Blackett and Nick Russel, co-branding is one type of cooperative arrangements, where others might be in the form of promotions, alliances, and joint ventures (Co-Branding, 1999, p. 7). Co-branding is often used to assist a brand

owner entering new markets. For example, when Yum! Brands Inc. decided to expand KFC restaurants in Russia, it partnered with the Russian chicken chain Rostik's to develop co-branded restaurants (Garber, 2005). There is a special advantage to co-branding for some brand owners who would otherwise have a low profile for their brand.

History of *Pfaff* and *Pallet Trucks*

PFAFF SILBERBLAU: (<http://www.pfaff-silberblau.de/>)

The company *Pfaff* has existed since the 19th century. For many years it has been famous in the world with its sewing, embroidery, over-lock, and quilting machines (<http://www.pfaff.com/global/>). After World War II, a new trend of lifting and material handling equipment emerged. So, *Pfaff* branched out into this new business. Today the two business lines are completely independent companies (*Pfaff* and *Pfaff-silberblau*) and have different owners. Heinrich Pfaff is the President of *Pfaff-silberblau*. The plants of the company are headquartered in Friedberg / Derching and Heilbronn, Germany. According to the company's official Web site, international offices are located in Austria, France, Hungary, United Kingdom, The Netherlands, Switzerland, and Poland. There are also 44 associated representatives around the world. The company also provides repair engineer training programs and courses dedicated to demonstrating the correct operation of material handling devices, crane hoists, and lifting equipment. The company's regular press releases can be downloaded from: http://www.pfaff-silberblau.de/en/presse_frame/.

PALLET TRUCKS: (<http://www.telezhka.ru/>)

"Pallet Trucks" was created in Ekaterinburg, Russia, in 1996. It was established not long after business became legal in Russia following *Perestroika*. By September 2001, when the crisis occurred, Pallet Trucks had moved its main office to Moscow. It had also set up 53 offices all across Russia and managed to acquire 27% of the market share in lifting and handling equipment (Shchepilova, 2005). The partnership with Pfaff-silberblau was finalized in 1999, which gave Pallet Trucks exclusive representation of the "Pfaff-silberblau" in Russia (Kurdyukov, 2001). *Pallet Trucks* is the biggest company in the lifting and material handling segment in Russia, both in terms of the volume of sales and its geographic reach.

Human Resources at Pallet Trucks

Integral to the company's business performance was its values and emphasis on human resources. Human resources issues were considered very important because only if all workers do their best can the company's development be stable. *Pallet Trucks* values its employees highly and invests in their development. Each person hired is trained (this western technology is still not typical in Russia) in technology driven functions. In addition, they study marketing, management and advertising techniques. Each new

employee has to train at one of the branches and study client databases, prices, catalogues, negotiation, and delivery.

The company is setting up a specialized Learning Center for employee training. Currently, two employees are pursuing MBA degrees and 27 people study at the university. In general, 73% of employees have university degrees (Shchepilova, 2005).

All branches of the company are connected via Internet. All transactions are sent via the Internet to the corporate office in Moscow. Information is analyzed daily. On the basis of such analysis, plans are made for new purchases of equipment abroad. The company also has the Internet store (<http://www.telezhka.ru/>.)

Pallet-Trucks not only sells the equipment, but also offers customer service to its clients. The company has highly-qualified personnel who repair the equipment. The delivery is free for customers.

The company is trying to prepare a “brand new store” package – to offer all of the equipment necessary for the new store in one package, not only a number of different items, as was previously typical in Russia. There are two alternatives in this process: either cooperate with other companies or increase the selection of products.

Pallet Trucks is the biggest company in Russia in the lifting and material-handling segment, both in terms of the volume of sales and its geographic reach.

Western Investments and Economic Development in Russia in 2001

In Russian industry, its trade and public catering sectors evoke the most foreign investor interest, drawing in 39.7% and 37.1% of investment, respectively (Novecon, 2001). By the end of 2001, the country had received \$35.6b in foreign investments, which had come from 109 countries.

According to the Russian Ministry of Economic Development and Trade, “Russia over the past two years, has overcome the severe consequences of the 1998 financial and economic crisis (Interfax International, 2001, April 5). The accumulated potential of positive trends that developed in the post-crisis period, favorable world economic trends, and domestic social and economic stability have maintained the upward trend in the most important economic indicators. Industry plays a deciding role in achieving growth.”

The leading foreign investors were Germany with 17.1% of total investments, the United States with 15.8%, Cyprus with 14.9%, Britain with 10.7%, France with 9.2%, The Netherlands with 7.1% and Italy with 4.2%. New Independent States invested \$32m in the Russian economy in 2001, representing 0.23% of the total invested.

Industry Background: The Main Business Models for Selling Lifting and Material Handling Equipment in Russia

Lifting and material handling equipment (used mostly in retail stores when delivery occurs) comprises machinery such as shifting skates, Kingmate material elevators, etc, most of which are imported. Russia imports these from Bulgaria, the Czech Republic, Holland, Finland, Italy, Germany, and China.

Russian companies producing this equipment have a comparatively insignificant market share. The size of production for lifting and handling equipment is small, but the demand is “booming” in the Russian market, especially in the retail segment. Current domestic manufacturing in Russia produces poor quality equipment, which does not satisfy customers who have gotten used to western standards of quality. When the equipment is produced legally in China under the western brand, western specialists certify the factory, and the product has all necessary certificates, for example, ISO and others. However, the top managers of the major manufacturer “Uralgidravlika” has promised to introduce a new model that will include both Russian specifications and German details. This model, the manufacturer assured, would guarantee high quality at low prices.

According to Vasiliy Kurdyukov, a journalist from the trade magazine *Tekhnika dlya sklada* (Store Equipment), the most traditional lifting and material handling equipment sold in Russia is produced in Bulgaria. It is famous, and customers were already familiar with it even before business became legal in Russia when *Perestroika* followed 70 years of Communism. Colloquially, customers call this kind of heavy equipment “bolgarka.” In fact, people do not distinguish between different types of brands or products. Every type of heavy equipment is termed “bolgarka.”

At the end of 1990s Bulgarian equipment manufacturers held about 30% of the Russia’s market share. The product’s price from the Bulgarian factory was \$140-180 and it was sold in Russia for \$320 (Shchepilova, 2005). Thus the profit margins were very high. Bulgarian businessmen did not demand pre-determined prices in the Russian market.

More than 1,000 items of Bulgarian equipment were sold in Russia every month (see Appendix A, Model 1). “Pallet Trax,” “TFN,” “Stella-Technik,” “Gortorgsnab,” “RIF,” and “Kartreid” were the major sellers of these products (Kurdyukov, 2001). There were also many smaller companies that either bought from “Pallet Trucks” and other big companies, or directly from manufacturers in Bulgaria. The sale of this Bulgarian “bolgarka” type of lifting and handling equipment is not as profitable as it once was, although the price in Bulgaria remains the same. Increased competition from Western European manufacturers has caused vendors to drop their prices from \$320 for equipment to \$240. It has now become more profitable to sell equipment from other countries. However, because customers are used to “bolgarkas,” each dealer still offers it among its array of products.

With the introduction of Western equipment, new business models were formed (see Appendix A, Model 2). Western companies began partnering with local players to market

their products in Russia. These local players were their exclusive representatives in the territory of Russia. In fact, all deals were to be conducted through the local representative. For instance, the Russian company “TFN” sells equipment exclusively for “Bellet.” Through this joint venture, the local representatives earn the largest share in profits.

In 2000, the German company *Pfaff-silberblau* introduced its products into the Russian market. Within a year and a half, it seized a market share equivalent to the early Bulgarian equipment manufacturers. It accomplished this by entering into a business venture with the Russian company *Pallet Trucks*. At the time, *Pallet Trucks* had 3 branches in Moscow and 26 in other Russian cities and towns. *Pallet-Trucks* was the exclusive representative of *Pfaff-silberblau* (Shchepilova, 2005).

In 2002 German executives decided to open the *Hubwagen und Rader* company that became the official representative of *Pfaff-silberblau* in Russia. The German executives continued to cooperate with *Pallet-Trucks*, but wanted other representatives to sell their product too (Shchepilova, 2005; see Appendix A, Model 3).

Hubwagen und Rader aimed to coordinate the delivery, price control, level of service, and other aspects of sale in the country. This was to guarantee the same price policy and stable development of the brand in Russia. In this third model, the company planned to build multiple partnerships with Russian sellers, so *Pallet Trucks* was no longer the exclusive representative.

There was another business model that was being followed in Russia, where European companies set up their own regional companies in the country (see Appendix A, Model 4). This was done by companies such as “BT,” “Jungheinrich,” “Still,” and “Linde.” These regional companies monitor Russian dealers stringently. Therefore, under these arrangements, Russian sellers’ profit margins have fallen. The local representatives of the parent companies are very active in offering their product directly to customers. However, they consider only those customers who buy the whole “package” of equipment for the huge store or supermarket. In return the customers get hefty discounts and special offers.

Currently, European representatives possess a relatively small proportion of the market. However, they are very active and are trying to capture the larger, more lucrative customers.

Pallet Trucks

Creation of the Business Structure

The business structure of *Pallet Trucks* aided it in handling the crisis that unfolded in 2001. In 2001, *Pallet Trucks* had an exclusive sales relationship with *Pfaff-silberblau* to sell its lifting and handling equipment in Russia. At the time, the business structure of *Pallet* was created to:

1. Bring the product closer to customers. New branches of *Pallet Trucks* were set up in cities and towns where many new retail outlets were being opened.
2. Increase sales volume by setting up this extensive network. Increasing volume would give the company the opportunity to lower prices. In effect, this led the company to capture 27% of the market share.

Crisis

In September 2001, the young Russian company *Pallet Trucks* (formed in 1996) discovered that the market was flooded with fake copies of the lifting and handling equipment of its German partner *Pfaff-silberblau*. Uncertified factories in China were producing these machines and small Russian firms were selling them at 30% lower prices to Russian customers.

Pallet Trucks, as a result of its environment scanning, realized the *Pfaff* brand was being pirated after certain firms advertised sales of *Pfaff-silberblau*'s equipment. *Pallet Trucks* was, at the time, the exclusive representative of *Pfaff-silberblau* equipment. It knew very well that the advertised equipment was either acquired through dubious means or had to be fake. To determine which was the case, representatives of *Pallet Trucks* bought samples of the counterfeit equipment to determine its quality. The findings of the experts were clear: the equipment was fake. The reduced quality of the fake equipment was described in the official documents and the information was used at the press conference announcing the problem.

Although it is considered unusual to see counterfeit lifting and handling equipment on the market, in practice it turned out that production was not difficult to organize in China.

The *Pallet Trucks* and *Pfaff-silberblau* CEOs made the decision to use public relations strategies instead of filing lawsuits against several Russian firms selling the fake equipment. In Russia, the situation is that the official law can take a long time to resolve cases and appeals. Even having proof that competitors were selling counterfeit equipment might not be enough to win the case. Legal cases can be drawn out, are expensive, and the outcome not assured.

The Business Problem

The immediate problem facing the two partners was profit loss. But an even bigger challenge was the blot on their reputations. A company's brand image affords it market credibility and quality assurance. Negative word-of-mouth about equipment quality was causing serious harm to sales. Users of the products were telling potential customers about the product's failure.

Although we cannot illustrate how the crisis financially affected the company, as the Russian stock market is not yet formed and profit information is officially confidential,

this case study is based on the analysis of Russian and German Web sites, trade magazines, an interview with Galina Shchepilova, the public relations director of *Pallet Trucks*, Moscow, and copies of the corporate newsletter of *Pallet Trucks*.

The Main Elements of the PR Campaign: The Response

During the public relations campaign, the main decisions were: 1) to respond quickly to the situation at hand; 2) to change the attitude of the market participants; 3) to successfully segment editors and journalists (trade magazines, information agencies, business editions); 4) to invite Heinrich Pfaff and Otto Muller to Moscow and organize a press conference; 5) to continue to develop a brand image of *Pallet Trucks* after solving the problem.

The Main Objectives were:

1. To let people know that fake products were being sold.
2. To describe the value of the genuine brand.
3. To protect the brands and reputations of *Pfaff* and *Pallet Trucks*.

To achieve these objectives, the following sequences of events unfolded (also see Timeline Table).

1. Top managers, together with public relations specialists of the company “Pallet Trucks,” decided to organize a press conference at the fall exhibition in Expo-Centre, Moscow, Russia, in November 2001. This is the biggest annual exhibition of equipment in Russia. The representatives of all serious companies that deal with equipment and interested customers attend. The idea to organize the press conference about the fake equipment was a new strategy in Russia at that time.
2. The company decided to find partners to jointly enter the exhibition. It selected companies that were its indirect competitors in the market. It was done in order to create a trade group, or non-commercial partnership, in the future.
3. The President of the German company *Pfaff-silberblau* Heinrich Pfaff arrived at the exhibition and made a presentation about the company and its product
4. Otto Miller, the main engineer of *Pfaff-silberblau* with 30 years of experience, made a presentation at the conference.
5. A documentary about the product was shown. It included information about changes in the product delivered specifically to Russia and tailored to Russian needs.
6. A presentation of the new model of a King-mate material elevator was organized.
7. Partners, potential clients and reporters were invited to the presentation.

8. It was decided to organize a “working presentation” for the next exhibition. Representatives of the company would demonstrate how different types of equipment operate.
9. Six Russian journalists were invited to visit the *Pfaff-silberblau* plants, one of the main German exhibitions of equipment in Hanover, Germany (*Hannover Messe*, April, 2002) and attend the exhibition in Frankfurt, Germany (*Frankfurt Messe*, April, 2002).

Timetable

	2001				2002					
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Environmental Scanning										
Discovery of Fake Equipment										
Technical Expertise										
Executive Round Table										
Decision to Use PR Strategies										
Press Release Program										
Press-conference in Moscow										
Journalists Visit Germany										
Creation of Non-Commercial Partnership										

The more specific overall strategies and tactics were:

1. To transform the attitude of its publics, *Pallet Trucks* invited journalists from different media organizations and market participants (customers and non-direct competitors) at the trade show. The journalists were invited from:
 - a) Specialized trade magazines that wrote about lifting and handling equipment: *Sovremennyi Sklad* (Contemporary Store), *Expert-Oborudovanie* (Expert – Equipment), *Tekhnika dlya Sklada* (Technology for the Store).

- b) Information Agencies: e.g., *Interfax International*.
 - c) Business Editions: *Kommersant, Vedomosti*.
2. To create its market position.
 - a) Participants of the market began to help solidify the company's leadership position.
 - b) Further develop integration marketing communication capabilities.
 3. To present guest speakers from Germany. Heinrich Pfaff and Otto Miller presented the company's case in Moscow.
 4. To build the image of *Pallet Trucks* company following the crisis. This further led to *Pallet Trucks* opening subsidiaries that manufactured lifting and handling equipment in Russia ("Tura"), Poland ("Lema"), and Germany ("Otto Kurdbach").
 5. To create an understanding of its brand so potential customers know what the brand stands for, the value it provides, and "the benefits they can accrue" (Davis & Dann, 2002, p. 204). *Pallet Trucks* achieved this using opportunities at exhibitions, trade magazines (magazines about lifting and material handling equipment), and presentations.
 6. To develop the opportunity for Russian journalists from selected segments of media to see the main European exhibitions of equipment in Hanover and Frankfurt, Germany.
 7. To prepare and plan for future marketplace and industry challenges by creating the trade group "Business for Business" as a long-term goal.

Protecting the Future of the Industry: Creation of the Trade Group "Business for Business"

To be proactive and address future situations, the top managers of *Pallet Trucks* decided to create a trade group (called *non-commercial partnerships* in Russian) in cooperation with two other companies. The goal of the trade group is to cooperate with other market participants in order to reach non-official agreements and rules on the market segment of lifting and handling equipment.

The "Business for Business" trade group has worked in several directions: market research and analysis, educational programs, advertising and public relations, organization of mutual actions, informational and legal support, lobbying, etc.

Trade Group Activities Market Research and Analysis

1. Analysis of the market, writing analytical reviews including evaluation of market size, selection of product, positions of the main players and development of perspectives.
2. Monitoring the advertising activities of the firms working in the market segment.
3. Monitoring articles on market development problems published in trade and general interest publications.

The report on above activities was scheduled monthly in cooperation with the magazine *Loginfo* and the Agency of business communication.

Educational Programs

1. Organization of seminars and training sessions for both industry members and the public.
2. Information support of educational events organized by other providers.
3. Recommendations on the development of qualifications for employees of trade group members.
4. Information support on the new textbooks and a book on marketing, management, advertising, human resources, etc.

The report on the above activities was scheduled to be done monthly, together with the Agency of the Humanitarian Technologies.

Advertising and Public Relations

1. Advertising and PR support of the companies of the trade group.
2. Information support on new directions in advertising, prices and condition changes.
3. Publication of articles about issues related to the market segment, with a goal to influence public opinion in general and business sector participants in particular.
4. Design of advertising strategies for firms within the trade group.
5. Participation in the “Brand of the Year,” “Company of the Year,” “Golden Businessman” competitions, as well as providing information about the contests and preparing the application packages of members.

The report on above activities was scheduled for completion every three months in cooperation with the editions specialized in lifting and material handling equipment.

Organization of the Mutual Actions

1. Participation and cooperation in exhibits, renting exhibition space, program design, and participation in collateral events (press-conferences, seminars).

2. Creation and development of databases.
3. Organization of mutual advertising companies.
4. Mutual sending of direct mail.
5. Organization of cross-advertising actions with the companies out of the trade group.
6. Organization of mutual promotions.
7. Publications of mutual catalogues.

All events are planned and designed according to the interests of the particular companies within the trade. The trade group is the organizer and coordinator of mutual actions.

Informational Support

1. Creation of and information support for the trade group's Web site.
2. Publication of periodicals about market problems and issues.
3. Information support for specialized exhibitions, new editions, advertising services, books, seminars, etc.
4. Information about partnership members about planned company offerings.

Members of the group receive 50% discount for placing their ads in trade group publications or advertising on its Web site.

Legal Support

1. Brand protection.
2. Document preparation for the courtroom.
3. Support new brands and registration of brand symbols and licenses.

The activities were planned in cooperation with the Russian legal services "Gorodnitskiy and Co."

Lobbying Information

1. Applications on behalf of the trade group to the official local and governmental authorities on company-partners issues.
2. Participation in the work of other non-profit organizations and trade groups discussing issues connected with the activities of the group.
3. Preparation of the necessary documents, analytical review, etc., when necessary to explain the activities of the group.

The activities were connected with Moscow Town Hall, Russian Duma, and regional authorities.

Consulting

1. Regular consulting on the issues of:
 - Marketing and advertising

- Legal support
- Business planning
- Accounting and Revenue information

2. Highly specialized counseling targeting specific enquiries.

The above activities were scheduled monthly (number two – according to the agreements) and in cooperation with publications: *Glavnyi Bukhgalter* (Chief Accountant), *Konsultant-Plus*.

The outcome in such a situation depends a lot on the public relations personalities. During the research of the case we conducted the interview with the PR Department Manager of *Pallet Trucks*, Galina Shchepilova. She has working experience as Public Relations Department Manager for *Interfax* (Russian news agency), *Detskiy Mir* (large store chain), associate professor at the Moscow University, and owner of a consultancy.

Conclusion

According to the interview with Artem Virronen, president of *Pallet Trucks*, the company now has 30 to 35 percent of the Russian market for lifting and handling equipment. The branches of the company are located throughout Russia: Moscow, St. Petersburg, Tver', Yaroslavl', Ryazan', Nizhniy Novgorod, Voronezh, Saratov, Saransk, Kazan', Naberezhnye Chelny, Izhevsk, Perm', Tolyatti, Samara, Ufa, Chelyabinsk, Kirov, Ekaterinburg, Tyumen', Barnaul, Kemerovo, Krasnoyarsk, Irkutsk. Branches in Poland and Germany have been opened. According to the interview with Lev Vashchuk, director of the *Pallet Trucks* (Available on the Web site of Pallet Trucks), the list of customers includes big store clients such as Perekrestok, Komus, Mir, Ramstore, Ashan, Danon, MosMart, Pepsi plants, Oriflame, and big Moscow printing services.

Also of note is that The Department of Public Relations and Advertising has gained more influence since the crisis. It has grown from a staff of just 5 people to 38 in the last four years (Shchepilova, 2005), and the attitude of the management towards public relations has changed; management no longer tells the department what to do to, but listens carefully to public relations suggestions.

The *Pallet Trucks* company not only addressed the problem by using PR techniques but also used the crisis as an opportunity to attract new customers. The company is now considering participating in the U.S. stock market.

Key Takeaway Points

1. Recognize the value of strategic communications.
2. Remember that public relations not only creates the brand but also protects it, especially when legal avenues are not a viable option.

3. Understand that reputation is a form of property, and it is important to keep in mind how “reputational capital” can be built.
4. Keep a crisis plan ready.
5. Know that problems can be turned into opportunities.
6. Find experienced partners, especially in a new environment.
7. Consider co-branding with an established company for improving your brand’s image as you enter a new market.

“Public relations is the least often used but potentially most powerful communications tool at your disposal,” states Scott Davis (Davis, 2000, 165). The case of *Pallet Trucks /Pfaff-silberblau* shows an effective, efficient, and economical way to protect the brand.



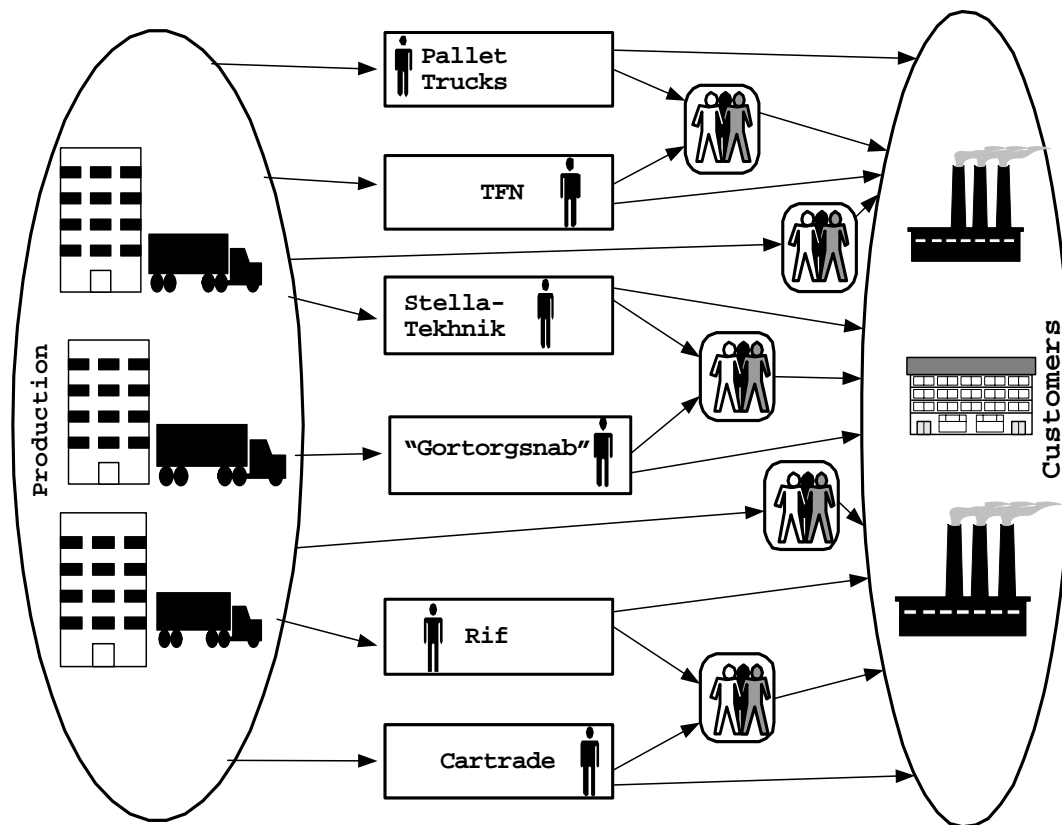
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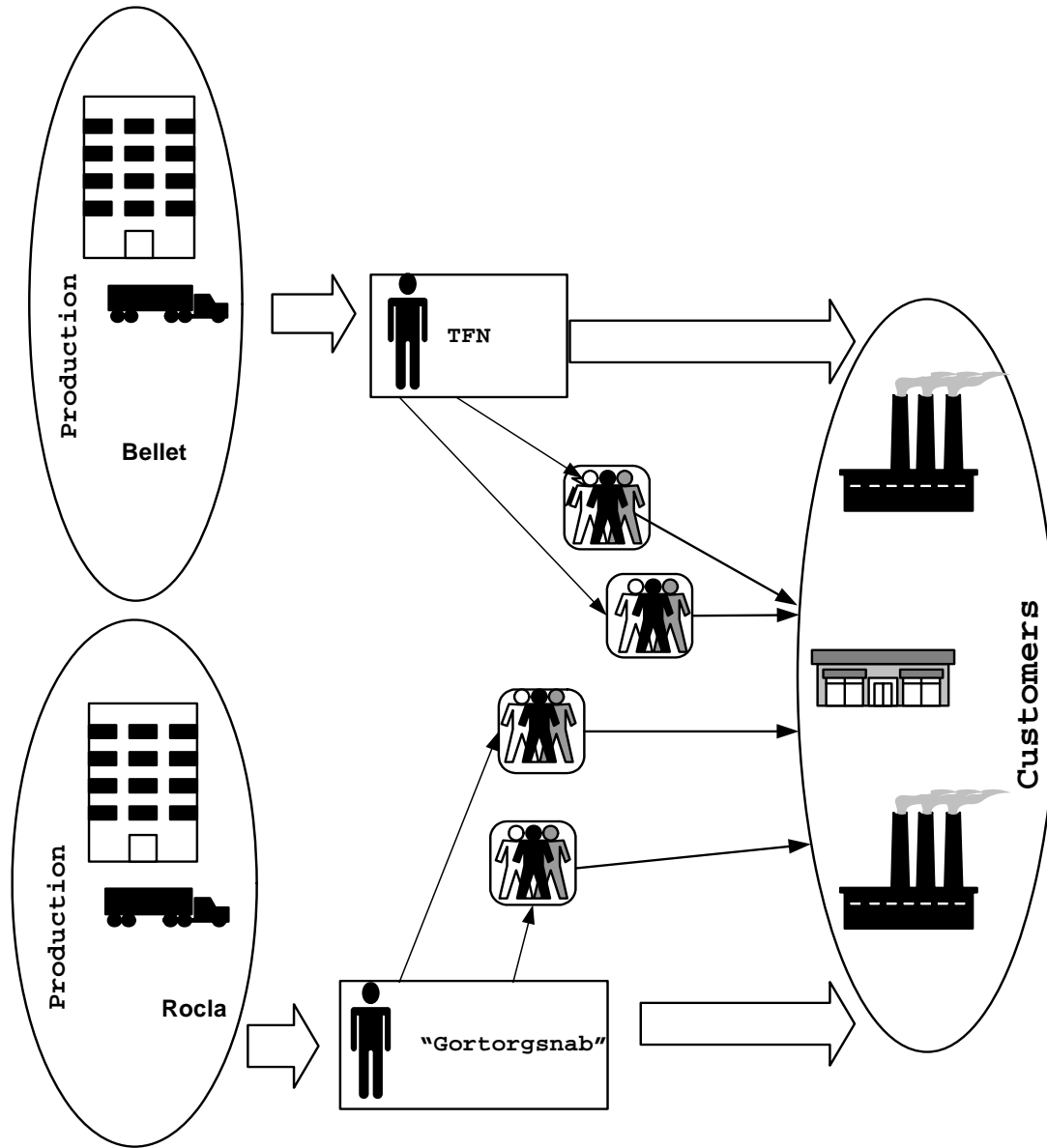
Appendix A

Business Sales Models (According to Shchepilova, 2005)

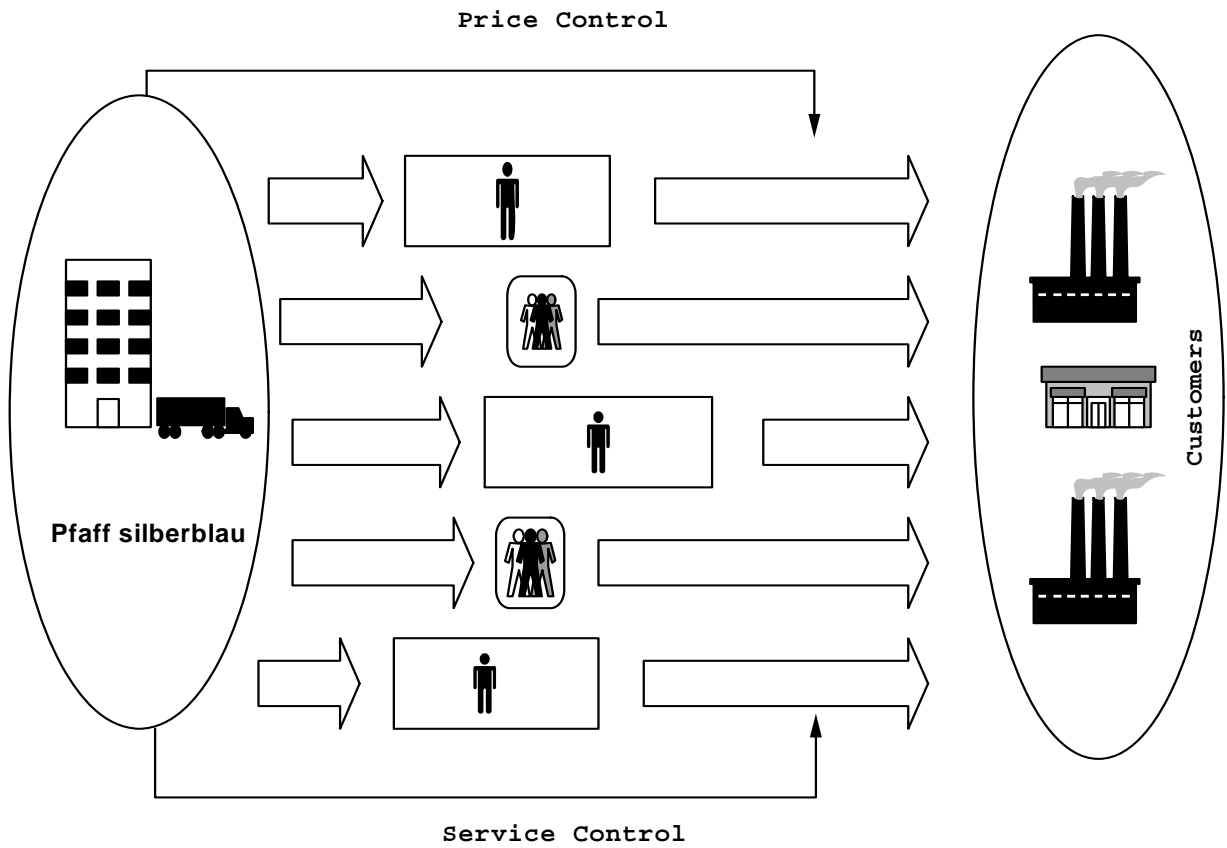
Model 1. Everybody Who Wants to Sell Sells (“Bulgarian Model”) 1996-1999



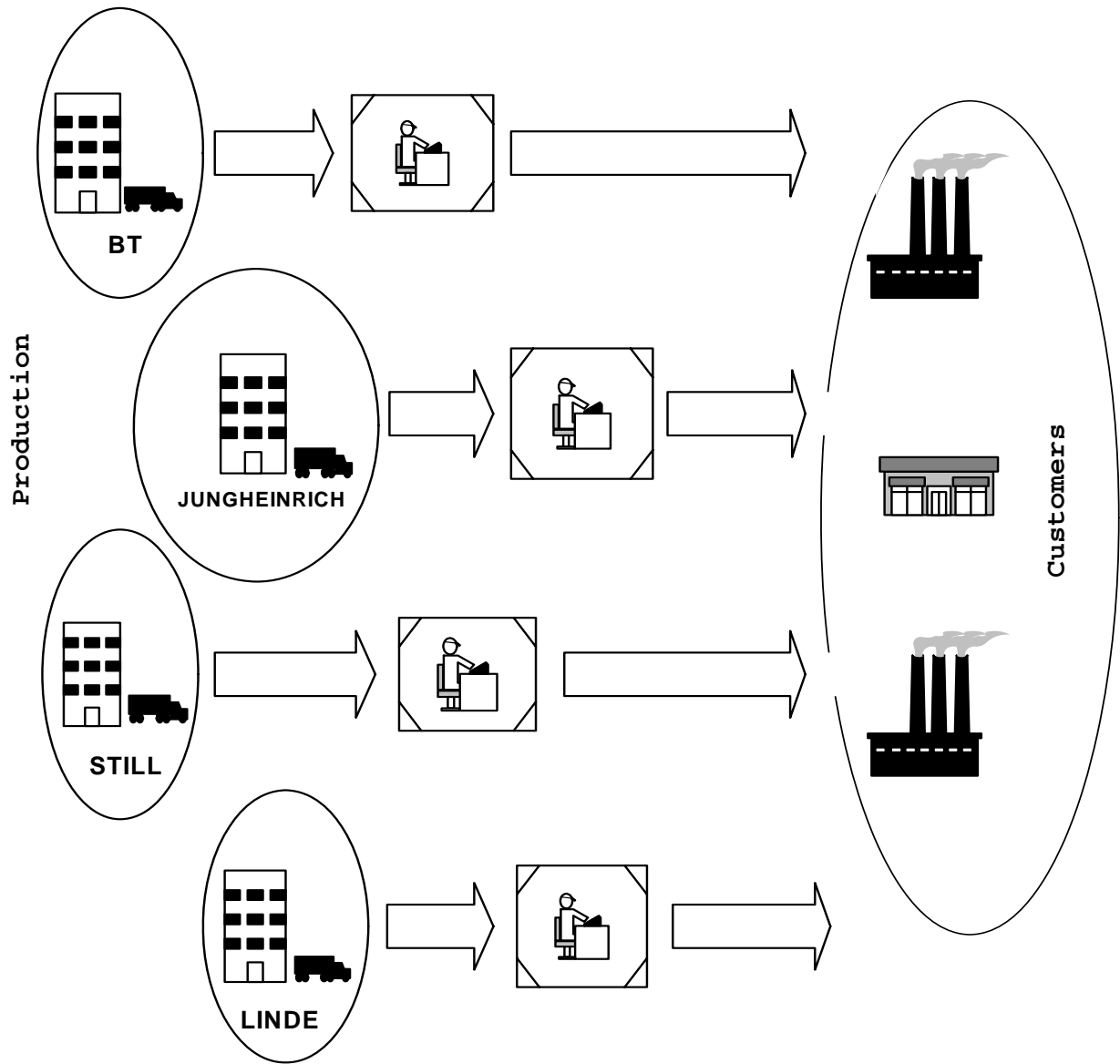
**Model 2. Manufacturers Partner with Exclusive Sales Representatives:
1999-2001**



Model 3. Manufacturers Allow Everybody Who Wants to Sell to Sell, but According to the Rules: Since 2002.



Model 4. Western Companies Open Offices in Russia.



Appendix B

**Chart of Activities of the Trade Group “Business for Business”
(Presented by Galina Shchepilova and translated from Russian by Authors)**

GOALS	ACTIVITIES	FREQUENCY
Research and Analysis of the Market	<ol style="list-style-type: none"> 1. Analysis of the market: writing analytical reviews including evaluation of the size of the market, selection of product, positions of the main players and perspectives of development. 2. Monitoring of the advertising activities of the firms working in the segment of the market. 3. Monitoring of the articles on the problems of the development of the market published in the specialized and non-specialized (general interest) editions. 	<p>Every three months, both in paper and electronic versions.</p> <p>Every three months, both in paper and electronic versions.</p> <p>Clippings – once a month.</p>
Educational Programs	<ol style="list-style-type: none"> 1. Organization of seminars and training “round tables” for both partners and the public. 2. Information support of educational events organized by other providers. 3. Recommendations on the development of the qualifications of the employees of the firms-partners. 4. Information support on the new textbooks and the book on marketing, management, advertising, human resources, etc. 	<p>Once every three months</p> <p>Monthly</p> <p>Every three months</p> <p>Every three months</p> <p>Conducted with the Agency of Humanitarian Technologies</p>
Advertising and Public Relations	<ol style="list-style-type: none"> 1. Advertising and public relations support trade group members. 2. Information support on new directions in advertising, prices and condition changes. 3. Publication of articles about problems of the market segment, with a goal to influence public 	<p>According to the agreement.</p> <p>Every three months</p> <p>Every three months</p>

	<p>opinion in general and segment participants.</p> <ol style="list-style-type: none"> 4. Design of the advertising strategies of the firms within the trade group. 5. Participation in the “Brand of the Year”, “”Company of the Year”, “Golden Businessman,” competitions providing information about the competitions and preparation of the application package. 	<p>One or two articles a month.</p> <p>Cooperation: specialized editions.</p>
Organization of the Mutual Actions	<ol style="list-style-type: none"> 1. Participation in organization of the exhibitions, renting the space at the exhibitions, design of the program of participation, cooperative events (press-conferences, seminars). 2. Creation and development of databases. 3. Organization of mutual advertising companies. 4. Sending sponsored direct mail pieces. 5. Organization of cross-advertising actions with the companies out of the trade group. 6. Organization of mutual promotions. 7. Publishing of mutual catalogues. 	<p>All events are planned and designed according to the interests of the certain companies within the Partnership. The Partnership is the organizer and coordinator of mutual actions.</p> <p>Cooperation: top managers of the specialized exhibitions, promotion agencies.</p>
Informational Support	<ol style="list-style-type: none"> 1. Creation and informational support for the group’s Web site. 2. Publish periodicals about market issues. 3. Information support of the specialized exhibits, advertising services, books, seminars, etc. 4. Information from trade group members about planned tenders. 	<p>Daily</p> <p>Monthly Monthly</p> <p>Members of the trade have 50% discount publishing their advertising on the web site and in the periodicals.</p>
Legal Support	<ol style="list-style-type: none"> 1. Brand protection. 2. Document preparation for the courtroom. 3. Support of new brand and registration of brand symbols and licenses. 	<p>The trade group solves organizational problems.</p> <p>In cooperation with</p>

		the legal services of “Gorodnitskiy and Co”
Lobbying	<ol style="list-style-type: none"> 1. Applications on behalf of trade group to the official local and governmental authorities on the issues of the companies-partners. 2. Participation in the work of other nonprofit organizations and trade groups to discuss issues connected with the activities of the group. 3. Preparation with the necessary documents, analytical reviews, etc., when necessary to explain the activities of the group. 	<p>If necessary</p> <p>Constantly</p> <p>If necessary</p> <p>Contacts: Town Hall, Duma, regional authorities.</p>
Consulting	<ol style="list-style-type: none"> 1. Regular consulting on the issues <ul style="list-style-type: none"> • Marketing and advertising • Legal support • Business planning • Accounting and Revenue information 2. Highly qualified specialized consulting. 	<p>Monthly</p> <p>According to the agreements.</p> <p>Cooperation with editions: <i>Glavnyi Bukhgalter</i> (Chief Accountant), <i>Konsultant-Plus</i>.</p>