St. Petersburg University

Master in Management Program

**Consumers’ preference for the copycat brand: the role of uncertainty and country of origin.**

Master’s Thesis by the 2nd year student

Concentration – Master in Management

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ЗАЯВЛЕНИЕ О САМОСТОЯТЕЛЬНОМ ХАРАКТЕРЕ ВЫПОЛНЕНИЯ ВЫПУСКНОЙ КВАЛИФИКАЦИОННОЙ РАБОТЫ

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I, Tatiana Vorobei, (second) year master student, program «Management», state that my master thesis on the topic « When do consumers pay a premium for a copycat brand? The role of uncertainty and country of origin», which is presented to the Master Office to be submitted to the Official Defense Committee for the public defense, does not contain any elements of plagiarism.

All direct borrowings from printed and electronic sources, as well as from master theses, PhD and doctorate theses which were defended earlier, have appropriate references.

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**АННОТАЦИЯ**

|  |  |
| --- | --- |
| Автор | Воробей Татьяна Сергеевна |
| Название ВКР | Предпочтения бренда-копии потребителями: роль неопределенности и страны происхождения |
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| Описание цели, задач и основных результатов | Главная цель работы это исследовать вопрос бренда-имитатора и готовность потребителе платить больше за них ф случае неопределенности на Российском рынке. Задачи работы включают в себя анализ поведения иностранных студентов, приезжающих в новую страну, как они оценивают бренды-имитаторы, насколько больше они готовы заплатить, чтобы избавиться от неопределенности и как уровень рискованности и важность бренда влияют на их выбор между брендом-имитатором и другим брендом.  После всех проведенных анализов можно сказать, что потребители, которые не любят рисковать и ценят бренд, готовы заплатить больше за бренд-имитатор. |
| Ключевые слова | Бренд-имитатор, бренд, риск, готовность платить, неопределенность, страна происхождения |

**ABSTRACT**

|  |  |
| --- | --- |
| Master Student's Name | Tatiana Vorobei |
| Master Thesis Title | Consumers’ preference for the copycat brand: the role of uncertainty and country of origin. |
| Educational Program | Master in Management |
| Main field of study | Management |
| Year | 2018 |
| Academic Advisor’s Name | M. Deniz Dalman, Assistant Professor  Marketing Department |
| Description of the goal, tasks and main results | The main goal of the master thesis is to investigate the topic of the copycat brand and the consumers’ willingness to pay a price premium for it in case of uncertainty on Russian market. The tasks were to analyze the behavior of foreign students coming to a new country, how do they perceive and evaluate the copycat brands, how much the consumers are ready to overpay in order to get rid of the uncertainty and how the risk avoidance level and the brand importance of the customer influences their choice between the copycat and the differentiated brand.  After all conducted analysis it was confirmed that the people who does not like risk and believe the brand is one of the most important features for them during the buying decision making process in case of uncertainty are ready to pay a premium price for the copycat brand rather than for the differentiated one. |
| Keywords | Copycat strategy, brand, risk avoidance, willingness to pay, uncertainty, country of origin |

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# **Introduction**

The main research area of the master thesis is the consumer behavior and factors that may affect the choice of consumers, the branding strategy in particular. The key topics addressed in the master thesis are the following: the branding strategy and the copycat (brand imitation) strategy, the uncertainty of the customers, the willingness to pay and the consumer behavior in general.

The research field of the master thesis is the consumer behavior and choice of a brand in case of uncertainty about product’s quality. The research problem is to find out whether in case of uncertainty about the quality of goods the consumer will prefer to buy a copycat brand and pay for it a higher price.

Additionally to the main research problem in the master thesis after a conducted analysis there will be also answers for the following research questions:

* How the consumers perceive and evaluate the copycat brands?
* How much the consumers are ready to overpay in order to get rid of the uncertainty?
* How the risk avoidance level and the brand importance of the customer influences their choice between the copycat and the differentiated brand?

The topic of the copycat brands is very relevant to the contemporary world and today’s marketing. Many big companies faced the problem of other companies copying their brands and getting profit out of this strategy. One of the most recent examples in Russia is the case of butter «Баба Валя» (Baba Valya).

In November 2016 the Federal Antimonopoly Service of the Russian Federation (FAS) penalized with a 110 000 rubles fine a Russian company «Традиция» for copying the package of the butter produced under the brand of Valio. The Russian butter «Баба Валя» (Baba Valya) had the same colors and style of the package as Valio’s butter (see the Picture 1) which was considered as a violation of the unfair competition law. The FAS explained that the buyers guided by the brightest elements, including color and style, could confuse similar packages of butter «Баба Валя» and Valio and then buy one instead of another (Lenta.ru, 2016).



Pic. 1. The comparison of the «Баба Валя» (copycat brand) and Valio (original brand) packages

Another example of even bigger and more successful copycat was found in Ukraine where a war of words has broken out over copycat cases of Scotland’s national drink (Daily Record, 2017). Supermarket shelves in the Ukraine were filled with bottles of “whisky” looking like a rip-off of major Scotch whisky brands like Johnnie Walker (see Picture 2).



Pic. 2. The comparison of the Johnnie Walker Red Label (original brand) and Jack Talker Red Level (copycat brand) packages

In particular, one Ukrainian distillery is producing red, black and blue “level” Jack Talker whisky in bottles very similar to the red, black and blue of Johnnie Walker. Diageo, the company that owns several major Scotch brands including Johnnie Walker complained resulting in the Ukrainian anti-monopoly committee fining the distillery for a series of breaches of the Johnnie Walker brand.

Diageo have complained about the counterfeit, however, the Simferopol Wine and Cognac Factory website, still showing imitation brands and saying that their activity is licensed and legal according to the current Ukrainian legislation in the field.

The strategy of brand imitation is widely used in the emerging markets and Asia has a lot of examples of copycat brands. The emerging markets have been successful in recent decades in engineering their own, localized, copycat brands, which emulate the success of similar organizations in developed markets. The copycat brands find success in emerging markets by adapting a proven concept tested abroad and infusing it with local or market-specific attributes.

One of the most notable examples of copycat brand success is Miniso, a Chinese imitation of three Japanese retail brands Uniqlo, Muji and Daiso (see Picture 3). Miniso has been widely criticized after saying that they have Japanese origins to some designers who have subsequently denied involvement in the brand.



Pic. 3. The logotype of the Miniso, the Chinese copycat brand

The company, which has many stores in Japan has opened more than 1,100 shops in China, and many more in other locations across Southeast Asia. The brand currently operates four shops in Macau and is growing in popularity. Even more striking is that Miniso has accomplished its rapid rise within just three years and has a target of a bigger expansion by 2020. Regardless of its origins as a copycat brand, Miniso is growing in strength, and is forging its own identity in key markets outside of Japan.

Other examples include Brazil’s highly successful Lojas Renner, modeled on Spain’s international Zara brand, South Korea’s The Face Shop, which drew its inspiration from famous The Body Shop in Britain, and China’s Anta Sports Products. The latter, which uses a similar logo to sports brand Nike – only turned upside-down – has grown in the last three years and became the third-largest sports footwear brand in China. (Macau Daily Times, 2017)

In the following master thesis, the topic of the copycat will be explained in a very detailed way and seen from different points of view. The first chapter will be devoted to the theoretical background of the topic discussed. In particular, the previous research papers written on the topic of copycat brands and consumer behavior in order to define the research gap. Then, the terms of copycat brand, willingness to pay and uncertainty about the product will be explained to help with defining the hypotheses for the further analysis. The second chapter of the master thesis will contain the explanation of the methodology used in order to collect the data and analyze it that will lead to the supporting or rejecting the hypotheses stated in the beginning. In the conclusion further analyses will be discussed together with the limitations that the author faced during the work on the master thesis.

# **Chapter 1. Theoretical research on copycat branding strategy and its’ influence on the consumer behavior**

In general, several sources such as scientific journals, books and online magazines were taken to the analysis in order to understand deeper the idea and the topic of the master thesis. A part of the sources is used for describing the main aspects of the future study such as different branding strategies, whether the copycat strategy is good and useful or not and of course prove that the topic is relevant, and worth being studied. The biggest part of references relates to the review of the theoretical background and helps to describe the main points and the research gap of the master thesis: the copycat brands and the detailed definition of the term, the consumer behavior towards them in case of uncertainty about the product quality and knowledge about the country where the product was made, or a service being delivered at the moment. After conducting a deep analysis of the existing literature on the topic of consumer behavior, copycat brands, factors influencing the consumer choice the research gap was identified and the theoretical model for further research was developed including the hypotheses that will be tested further.

* 1. **Theoretical discourse on the copycat strategy**

First of all, it is very important to dive into the theoretical background of the consumer behavior and marketing strategy. There are different factors influencing the consumer behavior and their choice of the product. Lantos divided such influences into three general categories:

* decision making,
* sociocultural,
* psychological.

In particular, the decision process influencers are the factors that affect the stages in the purchase decision process, such as level of involvement, level of decision making and situational factors. Sociocultural influences are the societal and social influences ranging from the broad culture down to interpersonal relations, for example, culture, subculture, social class, reference groups, family/household, interpersonal influences. Finally, the individual psychological influences are the consumer’s mental processes and behavior during the decision making and they might be affected by the consumer’s personality, lifestyle, motivation, perception, learning and attitudes (Lantos, 2015).

Marketing knows 4 different competitive strategies on how to make the consumer to choose their brands, based on the role firms play in the target market – leading, challenging, following or niching. Many firms prefer to follow rather than attack the leader. In this case, the follower may decrease its costs by learning from the leader’s experience and cutting all the expenses involved with developing new products and markets, expanding distribution channels, and informing and educating the market. (Kotler, 1997) Due to the niching strategy, overall costs of the companies are markedly lower, typically 60 to 75 percent of the costs that usually have the innovator. In an era of thin margins, a gap of that magnitude has huge importance. It enables the imitator to make competitive moves, ranging from substantially lower pricing, to the offering of superior product (or service) features, better distribution and service, or a longer and better warranty to compensate for a lesser-known brand (Shenkar, 2010).

Moving to the term of copycat, it may be said that it is a vague term and some people might have different understanding of it, so it is very important to define the term on which the master thesis will be based. Different authors are suggesting different explanations for the phenomenon of copycat brands. For example, van Horen and Pieters, who studied the consumer behavior towards the copycat brands and then wrote several articles about it, are saying that copycat brands imitate the trade-dress of a leading brand, such as its brand name or its package design, to take advantage of the latter's reputation and marketing efforts. (Van Horen, Pieters, 2012) The main outcome of this explanation is that the copycat brands are not 100 percent copying a well-known brand, they imitate the brand name or the attributes such as a package design. The suggested explanation will be taken as the basic one for the future analysis.

It is very crucial to highlight in the beginning that in further work there will be used such terms as copycat, imitations, lookalikes, me-too products. All of these terms are equal and are used meaning the same things. However, the term “counterfeit” is not the same as the other terms used as synonyms for “copycats”. The differences in the terms will be described later in the following literature review.

Most copycats imitate distinctive perceptual feature of the leader brand, such as the color, depicted objects, shape of the package or the letters and sounds of the brand name. For example, the copycats might imitate the lilac color of the Milka chocolate brand, the bull of the Red Bull energy drink, the specific letters of the Godiva chocolate brand name, as in “Dogiva”, or the Wal-Mart sound, as in Wumart.

The researchers are dividing the imitation strategy and the copycats in particular into two different ones: the feature imitation and the theme imitation. (Van Horen, Pieters, 2012)

Feature imitation is a strategy that is often used to copy successful leader brands. This type of imitation has received most attention in the marketing and trademark literature. Extant research has examined the confusion of copycat brands with leader brands due to various degrees of feature imitation and has investigated the influence of the degree of feature imitation on copycat evaluation.

Copycats, however, also use a strategy in which they imitate the underlying meaning or theme of a leader brand, such as the “wildcat” theme of the Puma sports brand, the “freshness of Alpine milk” theme of the Milka brand, or the “traditional, family-produced olive oil” theme of the Bertolli brand. Whereas in feature imitation the focus is on the imitation of one or more of the distinctive perceptual features of the leader brand. In “theme imitation” the focus is on the imitation of the semantic meaning or inferred attributes of the leader brand. In the research van Horen and Pieters are the first to examine how these different types of imitation influence consumer evaluation of copycat brands.

Theme imitation has received much less attention than feature imitation in the literature. For example, thirteen of the seventeen cases of copycatting that Zaichkowsky documents in her analysis of trademark infringement address feature imitation, while only four cases address theme imitation (Zaichkowsky, 2012). One reason for the emphasis on feature imitation might be that feature imitation is easier to detect and prove in a court of law. However, this fact does not imply at all that theme imitation is less effective. The studies described in the article are testing the hypothesis that imitating the underlying meaning or theme of a leader brand may be a strategy that is more effective than feature imitation. This hypothesis incorporates the idea that when an underlying meaning or theme is imitated, it is likely to be perceived as more acceptable and less unfair than feature imitation because a meaning or theme activates diffuse associations that are not solely linked to the imitated brand. Feature imitations, on the other hand, imitate distinctive perceptual features that belong uniquely to the leader brand and are directly related to the leader brand. Such an imitation strategy is likely to be perceived as unacceptable and unfair and is in turn likely to cause reactance.

Themes are displayed through various arrangements of perceptual features. In that sense, theme similarity usually entails at least some level of feature similarity. Therefore, some caution is needed in interpreting the difference between theme copycatting and feature copycatting in an absolute sense. The distinction between similarity in distinctive perceptual features and similarity in higher order meanings or themes is common in the literature (Gourville, Soman, 2005; Markman, Loewenstein, 2010).

Feature imitation can occur through imitation of the letters of the leader brand's name (e.g., by replacing one or more letters of the name or by rearranging them) or through imitation of the distinctive perceptual features of the leader brand's package design. Because these distinctive features are exclusively associated with the leader brand, feature imitations are directly linked to the leader brand and will immediately activate a clear representation of the leader brand. Theme imitation can be effected by copying the semantic meaning of the brand name, such as “Spring” (water source) for Sourcy bottled water or by copying the global scene of the package of a leader brand (cows grazing in a meadow in the Alps) for Milka chocolate but presenting it in a visually different way. In contrast to feature imitations, theme imitations are not exclusively associated with the leader brand and will only activate associations that are indirectly linked with the leader brand via a higher-order semantic meaning or an inferred attribute.

Feature copycats are directly linked to the leader brand and almost immediately activate a positive or negative image, whereas theme copycats are only indirectly linked to the leader brand. Therefore, one might expect that feature copycats are better able than theme copycats to free-ride effectively on the leader brand's equity. It is probably the reason that makes feature imitation a popular copycat strategy. However, based on knowledge accessibility theories researchers are predicting differently: they believe that feature imitation will be a less effective imitation strategy than theme imitation. (Van Horen, Pieters, 2012).

An important precondition for brand imitation strategies to be effective is similarity to the leader brand. To make the leader brand relevant for the evaluation of the copycat, a connection or relation is required. Only then can transfer of knowledge and affect take place. When knowledge of the leader brand is activated and is transferred to the copycat, similarity in the appearance of the brands is generalized to similarity in product quality, thus improving consumers' evaluation of the copycat (Finch, 1996).

As it was already discussed, copycats most often imitate the distinctive perceptual features of leader brands (visual characteristics, text, sounds), thus showing a type of literal similarity to the leader brand. In simple situations, one might gauge literal similarity between two objects by determining the extent to which they have common and unique features. Thus, the hypothetical brands “Orme” and “Omer” are more similar than the brands “Orme” and “Osve” because the former share all four letters, while the latter share only two letters.

However, besides being literally similar through direct imitation of distinctive perceptual features such as letters, colors, shapes, and sounds, two objects can also be semantically similar to each other. Brands that copy the underlying meaning or theme of other brands aim to make use of the higher-order semantic meanings or inferred attributes of the leader brand. Thus, although the brands “Rome” and “Paris” are semantically similar, they show low literal similarity because they share only one letter, whereas the brand names “Rome” and “Orme” show high literal similarity: they share all four letters but are not semantically similar. In an extreme case, a copycat could even essentially imitate the theme of a leader brand without copying any of the latter's visual features. Thus, in theme copycatting, the copycat and the leader brand show commonalities with each other not through a display of identical features but instead through the higher-order meaning, theme, or relationship derived from these features.

The copycat brand is giving the information to the consumer through imitating the leading brand indicating that the person needs to purchase this brand which is creating a sort of context in the point of sales. Research on knowledge accessibility has demonstrated that contextually activated information influences people's impressions and evaluations of the target. The direction of such context effects on assessments of the target can be assimilative or contrastive. Assimilation occurs when evaluation of the target moves toward the contextually activated knowledge, whereas contrast occurs when evaluation moves away from this knowledge. Thus, when compared with luxurious watches like Rolex or Cartier, a moderately luxurious watch may be judged as more or less luxurious.

Various factors determine whether evaluations become more positive or more negative near contextual information. One such factor is the perceived appropriateness of the contextually activated information. When people are aware that some contextual information is influencing their judgment, they consult their naïve beliefs or theories about the appropriateness of this influence (Petty, Brinol, Tormala, Wegener, 2007). Such beliefs influence whether people make corrections to their spontaneous judgment. In the marketplace, consumers are likely to consult their naïve theories of persuasion knowledge when they become aware of the influence of an imitation strategy. When consumers perceive an imitation strategy to be unacceptable and inappropriate, they tend to correct for the positive feelings induced through similarity. Van Horen and Pieters in their research predicted that consumers will perceive feature copycats as less acceptable and more unfair than theme copycats. Although both types of imitation operate through similarity associations related to the leader brand and make positive knowledge accessible, displays of literal similarity through imitation of the distinctive features of a leader brand are more likely to activate a distinct and clear representation of this brand because these features are directly linked to the leader brand. Imitation strategies involving literal similarity are therefore likely to be perceived as inappropriate and unacceptable and to cause reactance in consumers, resulting in negative evaluation of the copycat. (Van Horen, Pieters, 2012)

Theme imitations, on the other hand, are more implicit and less tangible than feature imitations because the underlying meaning or theme is only indirectly linked to the leader brand. Furthermore, because themes are not only exclusively associated with the imitated brand but also with other objects, brands, or events, such imitation strategies will be perceived as more acceptable and less unfair than strategies in which distinctive perceptual features are imitated. The evaluative judgment of such copycats should be driven by the affective experiences that are activated by indirect associative links to the leader brand's attributes. These associations are likely to be pleasant and positive because they remind consumers of something they know (i.e., the leader brand), which feels familiar, fluent, and pleasant. The positive evaluations associated with the leader brand are likely to become infused into the evaluation of the copycat brand, similar to the way in which affect infusion occurs in other judgments. This should cause consumer's evaluation of the copycat brand to move in the direction of the leader brand.

As it was described, in the marketplace, consumers can be confronted with two types of imitation: feature imitation and theme imitation. Building on knowledge accessibility theories, it was proposed that these two imitation strategies affect copycat success differently. The three studies described demonstrate that imitation of the underlying meaning or theme of a design is a more effective copycatting strategy than imitation of its distinctive perceptual features. This is important because feature imitation has received the most emphasis in the marketing and trademark literature. Theme imitation is more effective in both situations: when the theme is unique to a leader brand and when it is associated with the category as a whole. This effect generalizes across product categories and transfers from evaluation to buying intentions and choice. In addition, the studies demonstrate that acceptability of the imitation tactic is an important psychological process that underlies the basic effect.

The findings of Van Horen and Pieters are the first to demonstrate that imitation type influences consumer evaluation of copycat brands. Because the majority of copycats are feature-based, the marketing literature has focused primarily on consumer responses to this type of imitation and on the effect of the degree of imitation on evaluation. The research showed that, in addition to how much is imitated, what is imitated (theme or features) is of very important too.

Based on the previous researches, it can be said that for manufacturers of copycats, it may be worthwhile to consider investing in brand names or package designs that imitate the underlying meanings or themes of leader brands rather than their distinctive features. For manufacturers of leader brands, on the other hand, it is advisable to invest principally in the distinctive features of the package. Investing in visually unique package designs is not only important in enabling consumers to distinguish leader brands from other brands in a cluttered environment and to facilitate brand recognition and recall but is also a powerful tool in warding off imitation attempts by other brands.

Another study of Le Roux, Bobrie and Thebault defines and explores different forms of counterfeiting and imitation and tests the reactions these forms trigger among consumers (Le Roux, Bobrie, Thebault, 2016). After reviewing the literature concerning the definition of counterfeiting and imitation, a semiotics-based conceptualization of brand is presented, and a typology defining different forms and modalities of counterfeiting and imitation is proposed. Stimuli are developed to test consumer reactions to different instances of counterfeiting and imitation on convenience samples. Results suggest a dominant identification, categorization and evaluation schema based on brand name.

The literature refers to counterfeits as exact replicas of branded products. According to Bian and Moutinho, counterfeit brands are those bearing a trademark that is identical to, or indistinguishable from, a trademark registered to another party and infringes on the right of the holder of the mark (Bian, Moutihno, 2009). Lai and Zaichkowsky consider that a counterfeit is a 100% direct copy usually having inferior quality, although not always (Lai, Zaichkowsky, 1999). For Wilcox et al. counterfeit goods are illegal, low-priced and often lower-quality replicas of products that typically possess high brand value (Wilcox, Kim, Sen, 2009). Imitations, also called copycats, lookalikes or me-too products are products that look similar to other branded products but are not identical. According to Lai and Zaichkowsky, an imitation is a product or service, though not identical, which is viewed as similar in substance, name, shape, form, meaning or intent to an acknowledged and widely known product or service currently in the marketplace. As it was stated in the beginning, the copycats imitate the name, logo, and/or package design of a leading national brand to take advantage of the latter's positive associations and marketing efforts. Therefore, counterfeiting and imitation appear to be clear distinct concepts in the literature. A counterfeit is an exact copy of an original item. An imitation or a copycat looks similar to another product but is not identical.

However, some authors envision different forms of counterfeiting. Lai and Zaichkowsky distinguish two types of fakes, counterfeit and piracy, depending on the intention of counterfeiters. Piracy is counterfeiting; however, the intention is not always to deceive the consumer. In this case the customer is usually aware that the product he is buying is an unauthorized copy of the original product. The consumer consciously seeks out and purchases the fake product through purchase location, price, obvious differences in design, quality, or another feature realized by the customer. Besides, the authors define an additional category: gray marketing, which is when manufacturers produce more than the quantity required by Western companies and subsequently sell the overruns to the market illegally.

The counterfeit strategy is widely spread in the fashion industry and especially the luxure products face a big problem of being copied by other manufacturers. Hilton et al. distinguish between four different types of counterfeit products in the fashion industry: vanity fakes or low intrinsic, low perceived value product, overruns or copies made from leftover material, condoned copies made by other designers or fashion houses, copies made by the fashion houses themselves” (Hilton, Choi, Chen, 2004). Therefore, counterfeiting is far from being a homogeneous category. As for counterfeiting, imitation comprises several levels and forms. A product may imitate the whole trademark (brand, logo…) and/or trade-dress (shape, design, colors…), or only some of these elements. Besides, another question arises about the boundaries between an imitation and a counterfeit: when does an imitation become a counterfeit, that is, an exact copy of an original item?

Exact reproduction creates clear infringement and is, by law, never allowed. In the case of imitation, the court decides on the existence of transgression, depending on the likelihood of confusion. In addition, some imitation strategies are fully legitimate (me-too products and some private labels).

Therefore, despite all the studies and papers written on this topic, the definition of what is a counterfeit or an imitation, their forms and characteristics, are far from obvious in the marketing literature. What makes an unauthorized copy or a legitimate imitation relies on perceptual criteria, either on a court decision or on consumers' judgments. Few researches investigated the criteria a consumer uses in order to identify a fake from an original. The cues that allow identifying a fake from an original are place of purchase, price and quality and performance. Research on imitation is based on the concept of similarity. Similarity is a necessary condition for an imitation strategy, through the transfer of meaning. Marketing literature on imitation focuses on perceived similarity. Recently, Satomura et al. proposed a new method and metric to detect a copycat from a leader brand, based on consumer's visual judgments and established the impact of copycat packaging visual features on consumer's confusion (Satomura, Wedel, Pieters, 2014).

The survey covered three product categories (spirits, perfumes, electronics) and five brands (Smirnoff vodka, Jack Daniel's whiskey, CK One youth perfume, Apple iPod MP3 reader, and the Nintendo Wii game console). The test involved the systematic manipulation of both name and packaging/product design. For each brand, stimuli development was based on the selection of two competitors' packaging or product designs within the product category: one with a similar appearance and the other with a markedly different appearance.

This research proposed a multidimensional conceptual framework of counterfeiting and imitation, based on a semiotic approach defining brand and branded product as a poly-sensorial set of organized signs. Two dimensions define and organize the concepts of counterfeit and imitation: logotype (i.e. brand name) and product appearance (i.e. product design or packaging). The typology better represents the variety of forms of counterfeit and imitation and replaces these concepts within different marketing practices, especially imitation strategies, legitimate or not. The typology is built on the objective manipulation of characteristics along the dimensions of brand name and product appearance through the principle of commutation. Both dimensions are manipulated independently, so their specific contribution, as well as their combined effect can be assessed. The typology allows for the definition of the characteristics of counterfeits and imitations through a systematic and controlled process, and for the development of stimuli in the perspective of consumer testing.

The research proposed a rationale and a methodology for creating degrees of similarity between leading brands and copycats unequivocally and a priori, as requested by Van Horen and Pieters, that are then to be confronted to consumer judgment. It complemented the contribution by Satomura et al. on similarity of copycats by proposing a rationale for developing stimuli in a controlled manner through objective variations along the two dimensions of the typology.

The results are confirming the findings in Van Horen and Pieters article described above and even broadening it to different product categories in which consumer reactions may differ. Within an imitation strategy, too much proximity does not mean success. According to these findings, consumers prefer a moderate similarity through concept imitation rather than an exact copy. Consumers detect the attempt at imitation but perceive it as more acceptable.

To sum up, it may be stated that the copycat strategy meaning imitation of the trade-dress of a leading brand, such as its brand name or its package design, to take advantage of the latter's reputation and marketing efforts is a profitable strategy but only when it is used in right situation and is done in a right way (the theme is copied, not the specific features of another brand). In such situation the copycat brand will face a positive attitude from the consumers.

* 1. **Influence of the uncertainty and country of origin on the consumers’ buying behavior and brand preference**

The basic process by which a consumer’s purchase decision is made is an interaction between a number of factors external to a potential purchaser plus their 'black box'. The outcomes are the different components of a purchase decision. The external factors that may affect a potential buyer consist of the marketing mix offered by a supplier plus various elements of the market environment such as: the economic situation, technological developments, the media, political and legal influences, cultural differences, competitor marketing mixes. The consumer’s purchase decision consists of 5 stages:

1. Need recognition
2. Information search
3. Evaluation of alternatives
4. Purchase
5. Postpurchase behavior

A buyer's 'black box' is a combination of thoughts stimulated by each of the stages through which an individual pass on their way to a purchase decision. These thoughts can be influenced by a number of psychological factors such as a person's personality traits plus their responses to life's experiences. Other influences include their social context, such as their social groups, or family values, plus personal circumstances such as socio-economic position, life cycle stage, lifestyle, access to credit facilities and so on. A person's psychological make-up is more complicated and involves factors such as their motivations, perceptions and values. The interaction of these factors is complex and variable making it difficult to predict the outcome. (McDonald, Meldrum, 2013).

Consumer purchase intention refers to the possibility of consumers’ willingness of purchasing some specific products (Dodds, Monroe, Grewal, 1991). Many consumer models are used to define the consumer purchase intentions and one of the well-known theory is the theory of planned behavior. The theory of Planned Behavior deals with the antecedents of attitudes, subjective norms, perceived behavioral control and the intention itself (Aizen, 1991). These elements are used in an attempt to understand people’s intention to involve directly or indirectly in a number of activities such as willingness to vote, giving and buying decision.

The lack of information about the product is making the consumers feel uncomfortable while making a purchase decision. In this master thesis this lack of information will be called as the uncertainty situation. The previous researches have showed that copycat strategy leads to an unattractive brand image and customers perceive the brand just as a worse version of the original brand. However, the authors are stating that it is not always like this in the whole world and the customer’s opinion about the copycats depends on the situation: whether they are in a well-known or unknown environment.

One of the articles was taken as a basis for the future research, the one of Van Horen, F., & Pieters, R. named “Preference reversal for copycat brands: Uncertainty makes imitation feel good” and published in 2013 in the Journal of Economic Psychology. This article shows the process and the results of the analysis conducted by the authors including 3 experiments. In these experiments, they were checking the consumer behavior in case of uncertainty and their choice of brand.

In addition to just analyzing two types of copycats Van Horen and Pieters included into the list of variables the uncertainty about the quality of products and how it can influence the perception of the copycats. The results of the analysis are described in another article written by the same authors (Van Horen, Pieters, 2013). The main research question of the paper is: whether the preferences for copycats, rather than being generally negative, critically depend on consumers’ uncertainty?

The authors of the article are stating in the abstract the following hypothesis: when the uncertainty about product quality is low, people dislike copycat brands, but this preference reverses when uncertainty is high – despite awareness of the imitation tactics being used.

When the situational context induces uncertainty about product quality, a copycat is likely to serve as an effective uncertainty- reducing device. Its similarity in package design will remind consumers of something known (i.e., the leader brand) and the associated warm glow of familiarity feels good to consumers who are uncertain. Besides this warm feeling, familiarity will be used as a cue for product quality. Then, similarity in package design will be used to infer similarity of quality, performance, and reliability. These processes can raise the evaluation of the copycat. This can even be the case when copycats are blatant, and consumers are aware that a copycat strategy is being used, as feelings of familiarity will infuse and dominate decision-making. Then, people knowingly choose a copycat.

When consumers feel however certain about the quality of products, familiar feelings induced by similarity in package design might be interpreted negatively instead of positively. Research demonstrated that the familiar-positivity link is valued in uncertain and unsafe contexts, but less in certain and safe contexts. Under negative mood, which signals an unsafe environment, people usually prefer familiar category prototypes, whereas in a happy mood, which signals a safe and secure environment, these effects were eliminated. Likewise, in a strange, unknown environment a blatant copycat might elicit a warm glow, whereas in a well-known setting the same copycat may cause a frown. When consumers are certain and aware that an imitation strategy is being used, similarity may be perceived as an intentional ploy to mislead consumers about quality.

In order to check the main hypothesis, the authors conducted several experiments on the topic of copycat brands. Three experiments test the novel hypothesis that evaluation of a copycat critically depends on contextually induced uncertainty. More specifically, they predicted that copycats will be evaluated less positively and chosen less often when consumers are certain about product quality, but that this preference reverses when people are uncertain. The evaluation of the blatant copycat is tested against the evaluation of a visually differentiated product, serving as a control. This hypothesis is tested in two different decision contexts.

As the focus is on uncertainty of product quality, which is predominant in unfamiliar settings where consumers have no knowledge of the brands that are available, experiment 1 examines a common consumer context that is likely to induce uncertainty about product quality – being abroad. Such uncertainty inducing context is expected to increase the appeal of something that feels familiar, which will direct consumers’ judgment and choice of copycats. Experiment 2 replicates the basic effect and rules out that a country/expertise explanation accounts for the findings of experiment 1. In experiment 3, instead of manipulating uncertainty in an indirect way by varying the decision context (being abroad versus being at home), uncertainty is manipulated in a different and more direct way to provide further support for the idea that uncertainty is the catalyst of the effects.

Across experiments, different product categories were used to demonstrate the generalizability of the results. Support for the hypothesis pointed to the importance of contextual effects on copycat evaluation and show how different contexts result in different preferences.

They asked 56 paid Dutch undergraduate students to participate in the experiments. Participants were randomly assigned to the conditions of a 2 (imitation: no, yes) x 2 (condition: uncertain (abroad), certain (at home)) mixed design, with imitation as within-participant factor and condition as between-participants factor. The Starbucks was chosen as the main brand for the analysis, because it is the leader brand, as it is an international, well-known brand of coffee shops and its logo is unique and easily recognizable. The participants were asked to imagine being abroad in the country they have never been to (or their home-town) and looking for a coffee shop. Then, they were said that they have only two coffee shops to go and grab a coffee: the one similar to the Starbucks brand and another one, which does not look like Starbucks at all. They had to indicate on the Likert scale their willingness to go to each of the two coffee shops (1 definitely not to 9 definitely yes) and were asked to choose one of the coffee shops to have a coffee. In the second experiment the design was almost the same, but with one crucial difference: two countries were selected that both induced uncertainty about product quality (as people were unacquainted with the country and thus did not have any knowledge of the brands and how they perform) but differed in their coffee production expertise.

Three experiments revealed that uncertainty of product quality prevalent in unfamiliar settings is a crucial condition that contributes to copycat judgment and decision-making. The experiments supported the idea that whereas people like blatant copycats less when feeling certain, they like the same copycats more when feeling uncertain. This demonstrates the importance of the decision context on copycat evaluation. It shows that preferences for copycat brands are malleable and can reverse, conditional upon the experienced uncertainty.

Generally speaking, the findings of the article provide a better understanding of the effectiveness of an imitation strategy as they show that preferences for blatant copycats, rather than being generally negative, critically depend on the context in which the copycat is evaluated. When uncertainty about product quality is low, people like copycat brands less, than when uncertainty is high – despite awareness of the imitation tactics being used.

The main idea on which the copycats are relying is the availability heuristics, which means is an overestimating the likelihood of events with greater accessibility in memory. This could be influenced by how recent the memories are or how much emotionally charged they may be. For example, on the shelf in front of a consumer are two jars of strawberry jam; the label on one of them carries the name of a well-known and popular brand of food, on the other jar appears an unfamiliar name. At the same price the majority of consumers are likely to go for the well-known brand. It is a fast and easy-to-use heuristic — choose the product of the familiar brand name as it predicts the product is more likely to be of high quality. This decision rule is most useful when a consumer is not familiar with any of the jams from personal experience. In this case well-known brand is more available in the memory, because it was repeated many times through different channels and transferred to long-term memory. Thus, the copycats are relying on the image of the well-known brand and the consumers are choosing it because in case of uncertainty about the product range this option seems for them to be known and the best one.

The importance of credibility under uncertainty has been established in several contexts. There is also a growing literature on the importance of brand credibility under consumer uncertainty. When consumers are uncertain about brands and the market is characterized by asymmetric information (i.e., firms know more than consumers do about their products), brands can serve as signals of product positions (Wernerfelt, 1988). As a signal of product positioning, the most important characteristic of a brand is its credibility. A firm can use various marketing mix elements in addition to the brand to signal product quality: for example, charging a high price, offering a certain warranty, or distributing via certain channels. Each of these actions may or may not be credible depending on market conditions, including competitive and consumer behavior. However, credible signals that set brands apart from the individual marketing mix elements is that the former embody the cumulative effect of past marketing mix strategies and activities, as well as consumer interactions with the firm.

Such a signaling framework of brand effects on consumer brand utility and choice also implies that when there is consumer uncertainty about brands and information is costly to obtain or process, the credibility of a brand may be an important factor underlying the formation of choice sets (Erdem, 2004).

The higher perceived value and lower perceived risk associated with a higher-credibility brand are anticipated to increase expected benefits (Hauser, 1990). Additionally, the lower information costs associated with credible brands are likely to decrease expected costs, while the credibility of a brand decreases perceived risk because it increases consumers' confidence in a firm's product claims.

Credibility also decreases information costs since consumers may use credible brands as a source of knowledge to economize on information gathering and processing costs (e.g., reading Consumer Reports or doing online searches for product reviews).

In the context of brand choice, the cost-benefit approach implies consumer uncertainty about the attributes (i.e., quality) of brands. Although not explicitly included in models of consideration or choice set formation and brand choice, models of Bayesian learning (Erdem,1996) are consistent with a cost-benefit approach based on expected utility maximization to model brand evaluation.

Another characteristic of the product that might influence the consumer behavior and brand preference is the country of origin meaning the country where the good was produced or a service is being delivered.

Many countries, including the U.S., EU, Australia, and Japan, have mandatory country of origin labels for various meat products, with potential extensions to other products. Previous studies on the value of origin information, whether based on experimental or field data, are typically based on the underlying assumption that origin information solely serves to better decisions, and therefore disregards any potential negative welfare effects from emotions (Balcombe, 2016). From a policy perspective, it is, however, important to know if origin information serves solely to better decision-making or conversely, evokes negative emotions. If origin information entirely serves to improve decisions, benefits to consumers from mandatory origin label policies will be higher than when the information is also laded with negative emotions (Beiermann, 2017).

In the perspective of this study, the influence of country of origin on product evaluation and purchase intention has become the main highlighted issue. The researchers believed that the customer attitude of the product’s origin of has a relationship to purchase intention (Hsieh, 2004). This is supported by the fact that the history of the literature about country of origin goes 40 years before until now (Zeugner, 2010). It explores whether or not the country of origin of a product has an effect or influence on consumer purchase intention.

Country of origin can be defined as any influence that the country of manufacturer has on a consumer’s positive or negative perception of a product (Cateora, 1999). In detail, it was stated that country of origin is being viewed like different brands belongs to the different countries. Those owning countries are called country of origin. For example, Dell is an American brand, thus America is country of origin for Dell. Same goes to Lenovo and Huawei which known as the Chinese brands.

Based on literature investigation, researchers also found out that country of origin image plays a significant role in consumer’s perceptions towards products and brands from any given country (Hanzaee, 2011).

Past studies show that people care about which country the product came from and where they were made. Country image is referred to the total of all descriptive, inferential and informational belief about a particular country. The previous study of the country of origin effect has shown how country image has a direct effect on purchase intention. Other than that, researchers perceived country of origin has also reflect a different and varied level of perceived product quality. In their study, perceived quality of a brand from Finland is likely higher than the perceived quality level of a brand from Mexico or Hungary. In addition, Aaker had pointed out that perceived quality is actually an overall or superiority of the product and brand with respect to its intended purpose such as buying purpose. Other than the perceived quality of a product, higher country’s brand familiarity has also been found to influence consumer attitudes, preferences and choice. The relation of product familiarity and country of origin depends on the theory that scholars create according to how consumer rely on the country of origin for purchase intention. Indeed, it was supported that there is a direct linkage between brand familiarity and the overall product purchase evaluation (Yunus,2016).

As an overall, country of origin is obviously the extent to which the manufacturing place effects the consumer evaluations of the product. Therefore, country of origin is among the important factors that might influence the consumer purchase intention.

Many authors consider an imitating strategy being related to the confusion marketing. It was proved that businesses practicing confusion are successful, suggesting that such practices may be economically sustainable. Contrary to expectations in marketing, confusion seems to benefit some consumers (Kasabov, 2015). Van Horen and Pieters had showed by their research that when consumers come to a new country or region where they are not aware of the quality of goods, they prefer to choose a copycat brand that reminds them a well-known brand providing a quality guarantee (Van Horen, 2013). Moreover, if the image of the country where the good is produced is positive, the consumers will be more likely to pay for this product a price premium because the country of origin has a valuable impact on that.

* 1. **Theoretical model and hypotheses**

Based on all the theory that was described and discussed earlier it can be said that the country of origin and the uncertainty situation do have influence on the consumer behavior regarding the choice of the brand. Moreover, it was confirmed that if the people would go to a new country where they are not very familiar with the offer they will most probably prefer to choose the copycat brand. However, the question arises: will it be the same in case when the respondents are already physically located in new unknown conditions and are in case of uncertainty and have different expectations and thoughts about the country of origin?

As it was described in the previous subchapter, the country of origin is a very complicated term and can include several variables characterizing the perception of it by the consumers. In general, after finding out about the country of origin of the good or service the consumer usually has different kind of expectations from the product based on his internal characteristics.

The factor of country of origin includes several variables that were not studied previously together with the copycat brand preference. If we look just at the brand preference, the studies are showing that the country of origin familiarity or the knowledge about the country where the product was made is a driving factor for brand internationalization and is an important factor for brand preference and purchase decision. Results also indicate that ethnocentrism seems to act as a barrier for foreign brands, as consumers tend to remember and prefer their own domestic brands (Sousa, 2018). The level of knowledge usually depends on the number of days the person spends in the country. The more days, the higher is the consumers’ knowledge about the country where they are located in the moment.

Additionally to the knowledge about the country of origin in the new globalized world the level of language knowledge is playing an important role in consumer decision making. The studies are showing that in a country where consumers speak a different language with very different cultural heritage, the use of a foreign celebrity and a foreign brand name can be a liability (Chao, 2005). In addition, the consumers tend to choose the brand that is familiar for them, that speaks the same language as they do (Thomas, 2011).

The diﬀusion of products and technology enabling social communications, the widespread migration of peoples across borders, and moreover, the global stretch of media coupled with the multinational marketing activities, are impacting consumers worldwide. A global consumer culture is emerging and provides world citizens the opportunity to build global identities by selecting cultural elements that ﬁt their perceived self-concept and incorporating them into their daily lives (Sobol, 2018).

A recent study analyzing the consumer behavior of Chinese students coming for studying to UK showed the difference between the consumer behavior of normal tourists visiting another country for a short period of time and sojourners, who come to another country for work or study and are staying for a longer period of time. A sojourner is a short-term visitor staying temporarily in a host country for speciﬁc reasons, including work or studies (Berry, 1997). They differ from short-term tourists due to their intention to make a living in the country of their visit during their relatively long-term travel by “meshing work with tourism, routine with novelty, and familiarity with strangeness” (Pocock, 2013). This means that the consumer behavior of students or employees coming to another country will be different from the behavior of tourists visiting the country for a shorter period of time.

Consumer researchers most often define perceived risk "in terms of the consumer's perceptions of the uncertainty and adverse consequences of buying a product" (Dowling, 1994). As Dowling and Staelin explain, this implies uncertainty in both the possible performance outcomes of a brand and the associated probabilities of occurrence of these outcomes. It seems reasonable to expect both sources of uncertainty in the context of consumers purchasing in a new market.

Experimental research has examined the relationship between experience and perceived risk to show how this interaction may affect preferences over time. It is supposed that greater product familiarity can reduce the inhibiting effect dominant brands have on the retrieval of smaller brand names. This is meaning that the greater the number of product-related experiences accumulated by consumers, the more likely they are to recognize and try an underdog brand. Researchers find that consumers selectively expose themselves to national brands before trying lesser-known brands, even when the task is to learn the underlying rule governing product quality.

One explanation for why consumers try topdog before underdog brands is that there exists a decreasing relationship between product experience and the perceived risks associated with underdog brands. For categories in which experience is a good predictor of category knowledge, this theory is consistent with the empirical evidence that finds that novices have higher perceived risks, especially for generic brands, than do experts. This result has been found in several applications. For example, greater familiarity and knowledge about a new medicine lowers the perceived risks associated with it. Collectively, the research provides evidence that supports the theory that the more experience consumers have with a product, the lower are their perceived purchasing risks for less familiar alternatives and the greater is the likelihood (Heilman, 2000).

The researches are saying that the more information the consumer gets about the product, the lower is the level of the perceived risk from buying the product. As it was mentioned earlier, copycat brand repeats the characteristics of a well-known brand and thus can give to the consumer the information through the package, the brand name and through this lower the level of perceived risk. This fact may be important for the risk averse people who can decrease the risk of choosing a wrong product in case of uncertainty about its quality by choosing the copycat indicating to have high quality. However, when there is no risk, or the consumer is just not feeling it during his consumer buying decision making process, he might not see the difference between the copycat brand and the differentiated one and make his choice based on other characteristics, for example, the brand.

A product is something that offers a functional benefit. A brand, on the other hand, is a name, symbol, design, or mark that enhances the value of a product beyond its functional value. brand names add value. The added value that a brand name gives to a product is now commonly referred to as brand equity. The brand equity gives the value to the consumers.

As a name, term, sign, symbol or design, or a combination of them which is intended to identify the goods and services of one seller or a group of sellers and to differentiate them from those of competitors (Kotler, 1997), the brand plays multiple roles in consumer choice. These roles may include brands' effects on consumer preferences; on brand and quantity choice; and on consideration, to name a few. The papers are proving that brand credibility affects choice set formation and conditional brand (Swait, 2007).

People that do value the brand name and rely on it while making their choice of the product might pay more attention to it then to other characteristics while being in case of uncertainty about the product. However, if the person in general is not considering the brand as an important feature while making the purchase decision, he might as well pay attention to other characteristics of the product and will not see much difference between the copycat and the differentiated brands.

Despite a very deep analysis of the copycat brands, the researchers have analyzed just the possible choice of the customers out of three products: the original one, the copycat and the differentiated brand. Many researchers had investigated the consumers’ behavior towards the copycat brands, but very few of them develop the question of copycats pricing and the willingness of consumers to pay a price premium for them which creates a research gap for the future analysis. Especially no previous research about the consumers’ preference for the copycat brand was made in Russia. The willingness to pay a premium for a brand is the largest sum of money an individual is agreeable to pay for a product or service (Business Dictionary, 2017).

This means that in the research the respondents will be asked to indicate the largest sum of money they are ready to spend on the copycat and the differentiated brands, which will show their willingness to pay for each studied brand.

Based on the theory described above 4 main hypotheses can be stated:

*H1: Consumers who score low in risk avoidance and do not find brands important in choice are willing to pay a price premium for the differentiated brands rather than for the copycat.*

*H2: Consumers who score high in risk avoidance and do not find brands important in choice are willing to pay the same price for the differentiated and the copycat brands.*

*H3: Consumers who score low in risk avoidance and find brands important in choice are willing to pay the same price for the differentiated and the copycat brands.*

*H4: Consumers who score high in risk avoidance and find brands important in choice are willing to pay a price premium for the copycat brand rather than for the differentiated one.*

Moreover, despite the fact that the earlier findings proved the stated at the beginning hypothesis saying that in case of uncertainty the consumers will prefer the copycat brand, the question still needs an additional explanation. The experiments conducted by the authors provided interesting results but could miss some crucial reasons of the respondents’ behavior. In particular, the respondents were asked to imagine being in another country, so the conditions of the experiments were created artificially and do not guarantee to provide the same results as in the case when the respondent is physically placed in an unknown uncertainty situation.

The main characteristic of the following study is that all the research will be conducted under the condition of uncertainty: all the respondents will be placed in the uncertainty situation and that might affect the results of the study. The presence of uncertainty implies that the consequences of each alternative are not known in advance but depend on the realization of events out of the control of the consumer (Eco, 2017).

The idea of the master thesis is to expand the researches that were already done before, this is why in the future research there will be not just an experiment, but also in the questionnaire will be included additional questions about the consumers themselves such as whether people are ready to take a risk, for how long they are staying in the country. In addition, the main part of the research and the main focus will be on the willingness to pay of the respondents for two different brands (the copycat and the differentiated one) in case of uncertainty about the product.

# **Chapter 2. Empirical research of the relationship between feelings of the consumer and choice of a copycat brand**

The second chapter of the paper is dedicated to the detailed description of the analysis that was conducted in order to verify the hypotheses stated in the first chapter. After providing the information about the data collection methodology including the process, the sample and the format of research the author described the analysis of the data collected. The analysis of the findings includes the tests that were conducted and their results accepting or rejecting the hypotheses. Finally, the discussion about theoretical and practical implications of the research are provided in the third part of the chapter.

* 1. **Methodology description**

In order to collect the primary data for the appropriate analysis, the Explanatory type of research was used. It usually aims to understand the causal relationships between variables; both confirmatory and explanatory research are sometimes referred to as causal research. As in the case of confirmatory research, analysts wish to obtain consistent estimates of the relationships among constructs. The distinguishing aspect of explanatory research is that analysts are interested in explaining a specific phenomenon that is treated as a dependent variable. (Henseler, 2018)

Causal research, also known as explanatory research is conducted in order to identify the extent and nature of cause-and-effect relationships. Causal research can be conducted in order to assess impacts of specific changes on existing norms, various processes etc.

Causal studies focus on an analysis of a situation or a specific problem to explain the patterns of relationships between variables. Experiments are the most popular primary data collection methods in studies with causal research design.

The presence of cause cause-and-effect relationships can be confirmed only if specific causal evidence exists. Causal evidence has three important components:

1. Temporal sequence. The cause must occur before the effect. For example, it would not be appropriate to credit the increase in sales to rebranding efforts if the increase had started before the rebranding.

2. Concomitant variation. The variation must be systematic between the two variables. For example, if a company doesn’t change its employee training and development practices, then changes in customer satisfaction cannot be caused by employee training and development.

3. Nonspurious association. Any covariation between a cause and an effect must be true and not simply due to other variable. In other words, there should be no a ‘third’ factor that relates to both, cause, as well as, effect (Zikmund, 2012).

Advantages of Causal Research (Explanatory Research):

* causal studies may play an instrumental role in terms of identifying reasons behind a wide range of processes, as well as, assessing the impacts of changes on existing norms, processes etc.
* causal studies usually offer the advantages of replication if necessity arises
* this type of studies are associated with greater levels of internal validity due to systematic selection of subjects

The studies focus on an analysis of a situation or a specific problem to explain the patterns of relationships between variables. Experiments are the most popular primary data collection methods in studies with causal research design. The identification of cause and effect relationships is the reason of existing of experimentation. In experimental research the investigator attempts to discover the causal relationship between two variables by the manipulation (systematic variation) of the independent variable (also referred to as factor or a treatment variable) and the subsequent measurement of the dependent variable (Perdue, 1986).

There are two types of the experiments: field and natural experiments. Field experimentation represents the conjunction of two methodological strategies, experimentation and fieldwork. Experimentation is a form of investigation in which units of observation (e.g. individuals, groups, institutions, states) are randomly assigned to treatment and control groups. In other words, experimentation involves a random procedure (such as a coin flip) that ensures that every observation has the same probability of being assigned to the treatment group. Random assignment ensures that in advance of receiving the treatment, the experimental groups have the same expected outcomes, a fundamental requirement for unbiased causal inference. Experimentation represents a deliberate departure from observational investigation, in which researchers attempt to draw causal inferences from naturally occurring variation, as opposed to variation generated through random assignment. (Gerber, 2013)

Natural experiment, observational study in which an event or a situation that allows for the random or seemingly random assignment of study subjects to different groups is exploited to answer a particular question. Natural experiments are often used to study situations in which controlled experimentation is not possible, such as when an exposure of interest cannot be practically or ethically assigned to research subjects. Situations that may create appropriate circumstances for a natural experiment include policy changes, weather events, and natural disasters. Natural experiments are used most commonly in the fields of epidemiology, political science, psychology, and social science. (Messer, 2018)

Therefore, for collecting the data a set of experiments was conducted. The respondents who participated in the experiments were foreign students who just came to Russia and were facing currently the situation of the uncertainty about products they see in the stores. The choice of the respondents was made in favor of foreign students who just came to Russia because there was a need to get people who are in Russia but do not have much knowledge of the country, products quality, language and cannot use their experience to choose the product in the store. In addition, it was already confirmed by the earlier studies that when people go to another country, they most likely will choose a copycat brand in the store.

To conduct the experiments, the online forms were used and sent to the respondents directly through social media like Facebook and WhatsApp and the paper versions of the survey were distributed to the respondents who then were filling out the questionnaire. The main focus of the study is concentrated around the FMCG sector, the shampoo brands in particular because it is a utilitarian product category and it was interesting to compare the results of the analysis in this kind of product with the analysis conducted on the hedonic goods (Starbucks and the copycats). Hedonic goods are ones whose consumptions is primarily characterized by an affective and sensory experience of aesthetic or sensual pleasure, fantasy and fun. Utilitarian goods are ones whose consumption is more cognitively driven, instrumental, and goal oriented and accomplishes a functional or practical task (Dhar, 2000).

The brands that were used in the experiment are presented in the Pic. 4 below. It was decided to use one internationally well-known brand – Nivea, owned by the companu Beiersdorf. The copycat of Nivea – Russian brand Livia that is similar in name, shape and colors of the package. The brand is no longer existent on the Russian market, however, the pictures of this brand are still discussed on social network and it is strongly believed that Livia is a copycat of the Nivea. It is important to add that Livia corresponds to the term of copycat brand that was taken as the main one in the first chapter. It is not a counterfeit because it copies partly only the theme of Nivea, not fully some of the Nivea’s features. The third brand that was used for the survey was a differentiated brand – Чистая Линия (Chistaya Linia) that was not similar to other two brands having a totally different name, shape and the colors of the package. In addition, an important role had the text on the shampoo packages: as it can be observed, on the package of Чистая Линия (Chistaya Linia) everything is written in Russian, so most of the respondents (foreigners who just came to Russia and most probably do not speak Russian language) cannot understand what is written there while on the package of Livia (copycat brand) there are some words in English and that fact facilitates the understanding for the respondents.

Изображение выглядит как следующий, небо

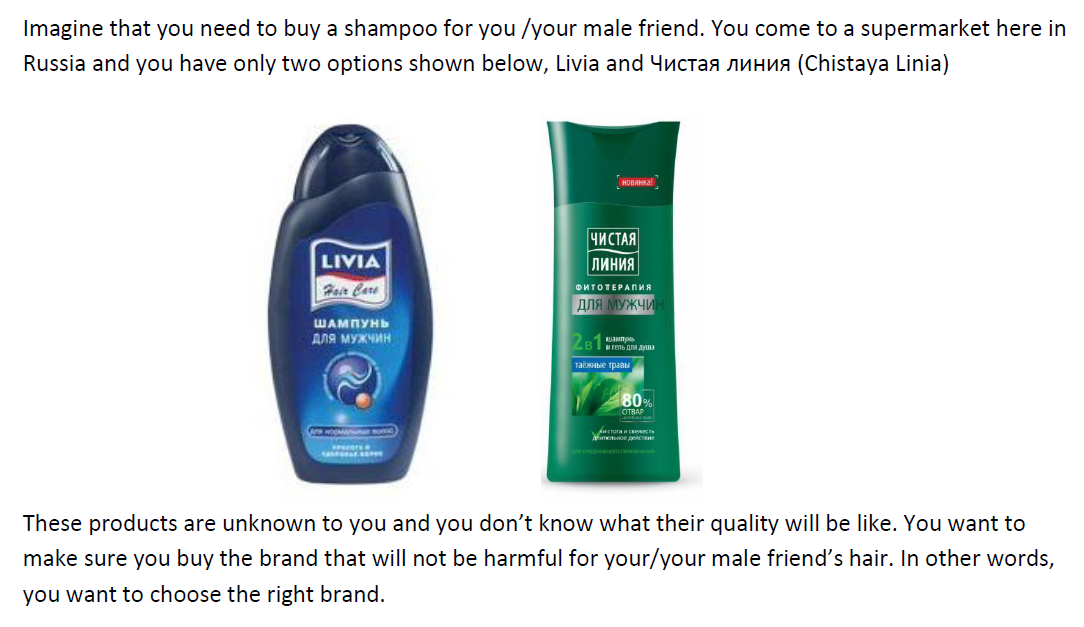
Описание создано с высокой степенью достоверности

Pic. 4 Brands used in the experiment (from left to right: unique brand Nivea, copycat brand Livia and differentiated brand Чистая Линия (Chistaya Linia)

The experiment was accurately designed and integrated with the questionnaire spread among the respondents in order to achieve the closest to the real-life results and confirm in the end the stated hypotheses.

The experiment was starting from making the respondents familiar with all 3 brands that are studied. The respondents were asked to spend some time and to look at the brands presented above (Pic. 4).

After that the respondents were getting to the page with the scenario description that can be seen on the picture 5 below.



Pic. 5 Description of the scenario of the experiment

The respondents were asked to imagine them in a situation: they need to go to a store now to buy a shampoo for men and these two brands is the only choice they have. Based on this scenario they had to indicate their likelihood to buy Livia - copycat brand or Чистая Линия (Chistaya Linia) – differentiated brand separately and in comparison to each other. These questions will help later to define whether they are really more likely to go for the copycat brands. Then, the respondents were said that usually this type of shampoo costs from 100 to 300 rubles and were asked to put a sum of money they are ready to pay for each of the brands. The sum of money they put for each brand will show later their willingness to pay premium for the copycat brand and less for an unknown brand or vice versa.

The second part of the survey was dedicated to the opinion of the respondents about the 3 brands and their attitude towards the shampoo category in general after looking again to the pictures of all studied brands. The respondents were asked to rank on the 7-points Likert scale their level of agreement with different statements such as

*“Compared to Nivea, I think Livia is similar in logo and shape”*

*“I believe Nivea is an attractive shampoo brand”*

Finally, the third part of the questionnaire was about the respondents, their general characteristics like gender, age, country of origin, level of income, but also their:

* level of risk avoidance

*“I would rather be safe than sorry”*

*“I want to be sure before I purchase anything”*

*“I avoid risky thing”*

* which characteristics are important for them while making a choice of a product in the store (brand, quality, price),
* about their level of Russian experience

*“How long has it been since you arrived in Russia”*

*“How well do you speak Russian?”*

The whole questionnaire with pictures and all questions asked can be found in the Appendix 1.

* 1. **Analysis of the findings**

After collecting the data in general it was received 100 responses from people of the age from 18 to 30. The gender distribution of the respondents was almost equal. All of them are foreign students who came to Russia for an exchange semester from Austria, Belgium, Bulgaria, Canada, China, Colombia, Czech Republic, Denmark, Finland, France, Germany, Hong Kong, India, Ireland, Italy, Japan, Netherlands, Norway, Poland, Portugal, Romania, Singapore, Slovakia, Spain, Sweden, Switzerland, Turkey, USA. The respondents were staying at the moment of filling out the questionnaire in Russia for a period from 1 to 480 days.

Most of the respondents were business students and claimed that their disposable income is higher than average in comparison to a regular student.

Before moving to the analysis of the collected data the manipulation checks should be conducted in order to make sure that the collected data is correct and following the main idea of the master thesis: studies the copycat brand. All the respondents have to understand that they see the copycat brand Livia, believe that it is similar to Nivea brand (Question 5) and the differentiated brand Chistaya Linia (Чистая Линия) is not similar to Nivea (Question 6). Finally, the respondents should like the Nivea brand (Question 7) because otherwise the negative opinion about the leading brand will negatively influence the research and the results will be not correct. The means of the 3 variables were compared with the medium value 4 through the one sample t-test and the received results can be observed on the Tables 1 and 2.

*Table 1. One-sample statistics*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | N | Mean | Std. Deviation | Std. Error Mean |
| Livia\_vs\_Nivea\_similar | 100 | 5,54 | 1,267 | ,127 |
| ChistayaLinia\_vs\_Nivea\_similar | 100 | 2,06 | 1,278 | ,128 |
| Nivea\_attractive | 100 | 5,40 | 1,443 | ,144 |

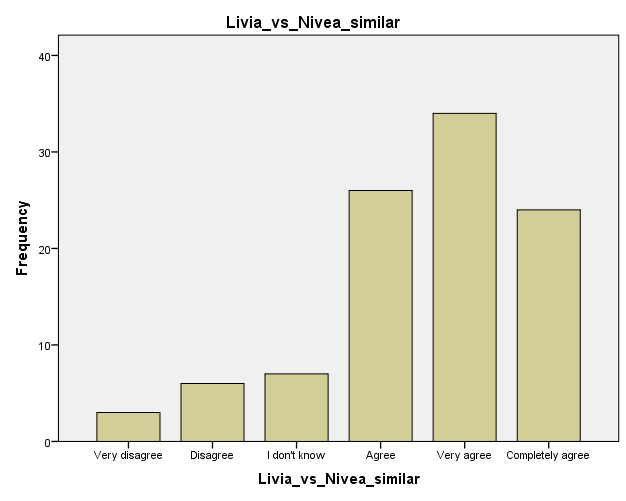
*Table 2. One-sample test*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Test Value = 4 | | | | | |
| t | df | Sig. (2-tailed) | Mean Difference | 95% Confidence Interval of the Difference | |
| Lower | Upper |
| Livia\_vs\_Nivea\_similar | 12,158 | 99 | ,000 | 1,540 | 1,29 | 1,79 |
| ChistayaLinia\_vs\_Nivea\_similar | -15,183 | 99 | ,000 | -1,940 | -2,19 | -1,69 |
| Nivea\_attractive | 9,705 | 99 | ,000 | 1,400 | 1,11 | 1,69 |

As it can be observed, the p-value is lower than 0,05 which means that the means of the variables in question is not equal to 4 (medium value) and looking at the means of each variable it can be stated that most of the respondents do correspond to the main requirements of the analysis. However, the ones that do not correspond to the requirements should be excluded from the future research.

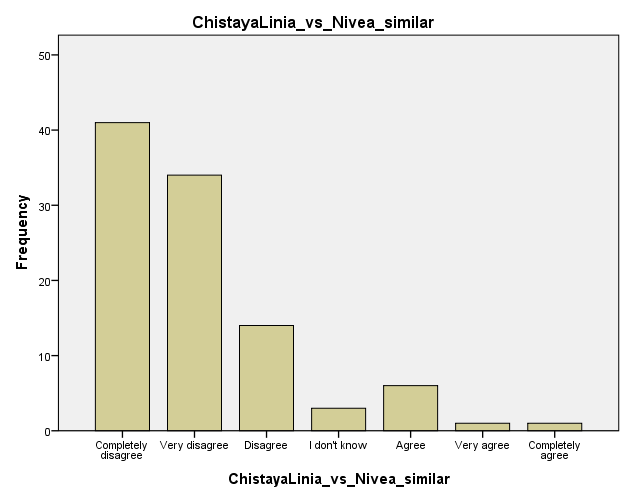
The most relevant respondents for further analysis were those who:

* see that Livia is similar to Nivea (Q5 should be higher than 4), so they understand that Livia is a copycat brand and are aware the imitation tactic is being used, otherwise it does not make sense to analyze the answers from them. All respondents who gave the answers “very disagree”, “disagree” or “I don’t know” will be deleted from the results (16 respondents)



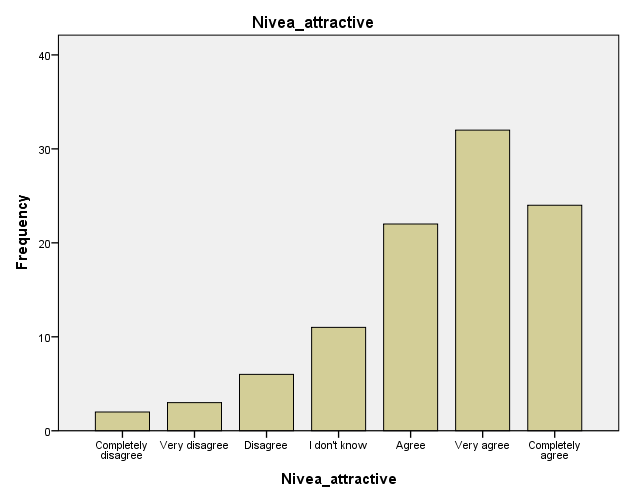
Pic. 6 Distribution of the responses for the question “Compared to Nivea, I think Livia is similar in logo and shape”

* see that Чистая Линия (Chistaya Linia) is not similar to Nivea (Q6 should be lower than 4), so they understand that Чистая Линия (Chistaya Linia) is a differentiated brand. All 8 respondents that responded “agree”, “very agree” or “completely agree” do not correspond to the target audience of the research and must be deleted.



Pic. 7 Distribution of the responses for the question “Compared to Nivea, I think Чистая линия (Chistaya Linia) is similar in logo and shape”

* like the Nivea brand (Q7 should be higher than 4), because if they have a negative opinion about Nivea it will influence their opinion about the copycat brand Livia in a negative way which is not suitable for the idea of the analysis. The 22 respondents who answered “completely disagree”, “very disagree”, “disagree” and “I don’t know” should be deleted from future analysis.



Pic. 8 Distribution of the responses for the question “I believe Nivea shampoo is an attractive brand”

Then the irrelevant data was deleted and for further analysis there were 76 the most relevant respondents left. According to the descriptive statistics on the Table 3 below, they stayed on average in Russia for 80 days, they are not familiar with the Russian shampoo brands and do not really speak Russian language either. On average, they have big enough experience of living abroad and their income is above average. The average age of the final sample is almost 23 years.

*Table 3. Descriptive statistics*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **N** | **Minimum** | **Maximum** | **Mean** | **Std. Deviation** |
| Stay\_in\_Russia | 76 | 1 | 480 | 80,49 | 112,631 |
| Rus\_shampoo\_familiar | 76 | 1 | 7 | 2,26 | 1,518 |
| Rus\_language | 76 | 1 | 7 | 3,05 | 1,993 |
| Abroad\_experience | 76 | 1 | 7 | 5,12 | 1,705 |
| Age | 76 | 19 | 30 | 22,93 | 2,259 |
| Income | 76 | 2 | 7 | 4,70 | 1,132 |
| Valid N (listwise) | 76 |  |  |  |  |

As it can be seen in the survey (Appendix 1), there are several questions indicating the same thing: risk avoidance and level of involvement questions. After checking the variable (3 for each category) for the reliability, the Cronbach’s Alpha was more than 0,7 (Tables 4 & 5). That indicated that all the variables tested are reliable and can be computed into one variable through the mean.

|  |  |
| --- | --- |
| Reliability Statistics | |
| Cronbach's Alpha | N of Items |
| ,878 | 3 |

*Table 4. Reliability statistics for risk avoidance variables*

*Table 5. Reliability statistics for involvement variables*

|  |  |
| --- | --- |
| Reliability Statistics | |
| Cronbach's Alpha | N of Items |
| ,800 | 3 |

The next step of the analysis is splitting the respondents into groups according to 2 variables coming from the hypotheses stated in the first chapter and code each group as 0 or 1. The splitting was done according to the medians of each variable in order to define in a proper way who from the respondents have a high or low level of brand importance and risk avoidance.

* brand importance (0-low, 1-high)

*Table 6. Descriptive statistics. Brand importance*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Descriptive Statistics** | | | | | |
|  | N | Minimum | Maximum | Mean | Std. Deviation |
| Brandname\_importance | 76 | 1 | 7 | 4,80 | 1,506 |
| Valid N (listwise) | 76 |  |  |  |  |

* risk avoidance (0-low, 1-high)

*Table 7. Descriptive statistics. Risk avoidance*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Descriptive Statistics** | | | | | |
|  | N | Minimum | Maximum | Mean | Std. Deviation |
| Risk\_avoidance | 76 | 1,67 | 7,00 | 4,8289 | 1,18945 |
| Valid N (listwise) | 76 |  |  |  |  |

When the data is prepared for statistical analysis, we can look again at the hypotheses that were created in the beginning.

*H1: Consumers who score low in risk avoidance and do not find brands important in choice are willing to pay a price premium for the differentiated brands rather than for the copycat.*

*H2: Consumers who score high in risk avoidance and do not find brands important in choice are willing to pay the same price for the differentiated and the copycat brands.*

*H3: Consumers who score low in risk avoidance and find brands important in choice are willing to pay the same price for the differentiated and the copycat brands.*

*H4: Consumers who score high in risk avoidance and find brands important in choice are willing to pay a price premium for the copycat brand rather than for the differentiated one*

A set of different analyses was conducted to test the hypotheses.

First of all, in order to test the ideas about the willingness to pay premium for the copycat brand the Repeated measure ANOVA was conducted. Repeated measures ANOVA is the equivalent of the one-way ANOVA, but for related, not independent groups, and is the extension of the dependent t-test. A repeated measures ANOVA is also referred to as a within-subjects ANOVA or ANOVA for correlated samples. All these names imply the nature of the repeated measures ANOVA, that of a test to detect any overall differences between related means. There are many complex designs that can make use of repeated measures, but throughout this guide, we will be referring to the simplest case, that of a one-way repeated measures ANOVA. This particular test requires one independent variable and one dependent variable. The dependent variable needs to be continuous (interval or ratio) and the independent variable categorical (either nominal or ordinal).

One important part of the repeated measure ANOVA are the covariates. In general terms, covariates are characteristics (excluding the actual treatment) of the participants in an experiment. If the data is collected on characteristics before an experiment was run, that data can be used to see how the treatment affects different groups or populations. Or, that data could be used to control for the influence of any covariate. In our case as the covariates were used the following variables: number of days the person has spent in Russia because it influences the perception of Russia in general and knowledge of the country, the products and language; and the level of income of respondents because the research is investigating the question of willingness to pay and thus people with higher income will show in general the pattern of being ready to pay more.

Between-persons (or between-subjects) effects don't examine scores of individuals, but instead examine differences between individuals. This can be between groups of cases (when the independent variable is categorical) or between individuals (when the is continuous). These types of effects can be observed in either the univariate context or the multivariate context (including repeated measures). Either way, between-subjects effects ask the question: do respondents differ on their score for the dependent variable, depending on their group (males vs. females, young vs. old…etc) or depending on their score on a particular continuous independent variable? In this case we used the level of risk avoidance and the brand importance for the respondents since these are the most important variables studied in this paper and mentioned in the hypotheses.

As it can be seen from the test of between-subjects effects below (Table 8) there are interesting changes especially in case when the brand importance and the risk avoidance variables are put together.

*Table 8. Tests of Between-Subjects Effects*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Measure: price | | | | | |
| Transformed Variable: Average | | | | | |
| Source | Type III Sum of Squares | df | Mean Square | F | Sig. |
| Intercept | 197863,817 | 1 | 197863,817 | 54,744 | ,000 |
| Stay\_in\_Russia | 21401,893 | 1 | 21401,893 | 5,921 | ,018 |
| Income | 1368,711 | 1 | 1368,711 | ,379 | ,540 |
| Brandname\_importance\_coded | 8,776 | 1 | 8,776 | ,002 | ,961 |
| Risk\_avoidance\_coded | 6562,341 | 1 | 6562,341 | 1,816 | ,182 |
| Brandname\_importance\_coded \* Risk\_avoidance\_coded | 15281,213 | 1 | 15281,213 | 4,228 | ,043 |
| Error | 253005,303 | 70 | 3614,361 |  |  |

Looking closer at the EM means of the specific case of brand importance and risk avoidance and its influence on the respondents’ willingness to pay (Table 9) it can be seen that there is a difference between the price that the respondents are ready to pay for each brand and their personal characteristics.

*Table 9. Brandname\_importance \* Risk\_avoidance\_coded \* brand*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Measure: price | | | | | | |
| Brandname\_importance | Risk\_avoidance\_coded | brand | Mean | Std. Error | 95% Confidence Interval | |
| Lower Bound | Upper Bound |
| 0 | ,00 | 1 | 141,474a | 12,591 | 116,362 | 166,586 |
| 2 | 155,209a | 15,028 | 125,237 | 185,181 |
| 1,00 | 1 | 162,540a | 16,098 | 130,434 | 194,647 |
| 2 | 207,991a | 19,214 | 169,670 | 246,311 |
| 1 | ,00 | 1 | 160,308a | 10,266 | 139,832 | 180,784 |
| 2 | 180,059a | 12,253 | 155,620 | 204,498 |
| 1,00 | 1 | 162,688a | 8,929 | 144,880 | 180,496 |
| 2 | 161,952a | 10,657 | 140,697 | 183,206 |
| a. Covariates appearing in the model are evaluated at the following values: Stay\_in\_Russia = 80,49, Income = 4,70. | | | | | | |

In order to check if the results can be valuable and trusted a set of new analyses was conducted. One separate repeated measure analysis was conducted for each group of people according to the hypotheses stated in the beginning.

*H1: Consumers who score low in risk avoidance and do not find brands important in choice are willing to pay a price premium for the differentiated brands rather than for the copycat.*

In order to test this specific hypothesis, the special cases were selected: only people with low risk avoidance and low brand importance were considered in the analysis. 15 respondents were left in the test. The same covariates as in the previous test were used however the between-measure subjects were not used.

The statistical hypotheses for this test are the following:

H0: The price is equal for Livia and Чистая Линия (Chistaya Linia)

Ha: The price is not equal for Livia and Чистая Линия (Chistaya Linia)

The results (Table ) are showing that the p-value (0,889) is higher than 0,05 which means that the H0 is accepted and the theoretical hypothesis H1 is rejected.

*Table 10. Tests of Within-Subjects Effects*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Tests of Within-Subjects Effects** | | | | | | |
| Measure: price | | | | | | |
| Source | | Type III Sum of Squares | df | Mean Square | F | Sig. |
| brand | Sphericity Assumed | 30,870 | 1 | 30,870 | ,020 | ,889 |
| Greenhouse-Geisser | 30,870 | 1,000 | 30,870 | ,020 | ,889 |
| Huynh-Feldt | 30,870 | 1,000 | 30,870 | ,020 | ,889 |
| Lower-bound | 30,870 | 1,000 | 30,870 | ,020 | ,889 |
| brand \* Stay\_in\_Russia | Sphericity Assumed | 604,657 | 1 | 604,657 | ,401 | ,538 |
| Greenhouse-Geisser | 604,657 | 1,000 | 604,657 | ,401 | ,538 |
| Huynh-Feldt | 604,657 | 1,000 | 604,657 | ,401 | ,538 |
| Lower-bound | 604,657 | 1,000 | 604,657 | ,401 | ,538 |
| brand \* Income | Sphericity Assumed | 111,944 | 1 | 111,944 | ,074 | ,790 |
| Greenhouse-Geisser | 111,944 | 1,000 | 111,944 | ,074 | ,790 |
| Huynh-Feldt | 111,944 | 1,000 | 111,944 | ,074 | ,790 |
| Lower-bound | 111,944 | 1,000 | 111,944 | ,074 | ,790 |
| Error(brand) | Sphericity Assumed | 18079,756 | 12 | 1506,646 |  |  |
| Greenhouse-Geisser | 18079,756 | 12,000 | 1506,646 |  |  |
| Huynh-Feldt | 18079,756 | 12,000 | 1506,646 |  |  |
| Lower-bound | 18079,756 | 12,000 | 1506,646 |  |  |

*H2: Consumers who score high in risk avoidance and do not find brands important in choice are willing to pay the same price for the differentiated and the copycat brands.*

In order to test this specific hypothesis, again the special cases were selected: only people with high risk avoidance and low brand importance were considered in the analysis. 9 respondents were left in the test. The same covariates as in the previous test were used however the between-measure subjects were not used.

The statistical hypotheses for this test are the following:

H0: The price is equal for Livia and Чистая Линия (Chistaya Linia)

Ha: The price is not equal for Livia and Чистая Линия (Chistaya Linia)

The results on the Table 11 are showing again that the p-value (0,516) is higher than 0,05 thus the statistical H0 hypothesis is accepted. Based on that we can say that the theoretical hypothesis H2 is also accepted and there is no difference between the price people are ready to pay for the copycat and the differentiated brands in case when they are not risk takers and do not care much about the brand they are purchasing.

*Table 11. Tests of Within-Subjects Effects*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Tests of Within-Subjects Effects** | | | | | | |
| Measure: price | | | | | | |
| Source | | Type III Sum of Squares | df | Mean Square | F | Sig. |
| brand | Sphericity Assumed | 1085,360 | 1 | 1085,360 | ,476 | ,516 |
| Greenhouse-Geisser | 1085,360 | 1,000 | 1085,360 | ,476 | ,516 |
| Huynh-Feldt | 1085,360 | 1,000 | 1085,360 | ,476 | ,516 |
| Lower-bound | 1085,360 | 1,000 | 1085,360 | ,476 | ,516 |
| brand \* Stay\_in\_Russia | Sphericity Assumed | 834,824 | 1 | 834,824 | ,366 | ,567 |
| Greenhouse-Geisser | 834,824 | 1,000 | 834,824 | ,366 | ,567 |
| Huynh-Feldt | 834,824 | 1,000 | 834,824 | ,366 | ,567 |
| Lower-bound | 834,824 | 1,000 | 834,824 | ,366 | ,567 |
| brand \* Income | Sphericity Assumed | 2275,714 | 1 | 2275,714 | ,999 | ,356 |
| Greenhouse-Geisser | 2275,714 | 1,000 | 2275,714 | ,999 | ,356 |
| Huynh-Feldt | 2275,714 | 1,000 | 2275,714 | ,999 | ,356 |
| Lower-bound | 2275,714 | 1,000 | 2275,714 | ,999 | ,356 |
| Error(brand) | Sphericity Assumed | 13672,608 | 6 | 2278,768 |  |  |
| Greenhouse-Geisser | 13672,608 | 6,000 | 2278,768 |  |  |
| Huynh-Feldt | 13672,608 | 6,000 | 2278,768 |  |  |
| Lower-bound | 13672,608 | 6,000 | 2278,768 |  |  |

*H3: Consumers who score low in risk avoidance and find brands important in choice are willing to pay the same price for the differentiated and the copycat brands.*

While testing the 3rd hypothesis only people that have a low risk avoidance and finds that the brand is important during the purchasing decision making process were taken into consideration. That makes 23 people in total.

The statistical hypotheses for this test are again the following:

H0: The price is equal for Livia and Чистая Линия (Chistaya Linia)

Ha: The price is not equal for Livia and Чистая Линия (Chistaya Linia)

Looking at the results (Table 12) we can say that again the p-value (0,306) is higher than 0,05. Thus, we accept the null statistical hypothesis saying that the price these people are ready to pay is equal and that fact supports the third theoretical hypothesis H3.

*Table 12. Tests of Within-Subjects Effects*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Tests of Within-Subjects Effects** | | | | | | |
| Measure: price | | | | | | |
| Source | | Type III Sum of Squares | df | Mean Square | F | Sig. |
| brand | Sphericity Assumed | 2143,226 | 1 | 2143,226 | 1,106 | ,306 |
| Greenhouse-Geisser | 2143,226 | 1,000 | 2143,226 | 1,106 | ,306 |
| Huynh-Feldt | 2143,226 | 1,000 | 2143,226 | 1,106 | ,306 |
| Lower-bound | 2143,226 | 1,000 | 2143,226 | 1,106 | ,306 |
| brand \* Stay\_in\_Russia | Sphericity Assumed | 1648,162 | 1 | 1648,162 | ,850 | ,367 |
| Greenhouse-Geisser | 1648,162 | 1,000 | 1648,162 | ,850 | ,367 |
| Huynh-Feldt | 1648,162 | 1,000 | 1648,162 | ,850 | ,367 |
| Lower-bound | 1648,162 | 1,000 | 1648,162 | ,850 | ,367 |
| brand \* Income | Sphericity Assumed | 584,064 | 1 | 584,064 | ,301 | ,589 |
| Greenhouse-Geisser | 584,064 | 1,000 | 584,064 | ,301 | ,589 |
| Huynh-Feldt | 584,064 | 1,000 | 584,064 | ,301 | ,589 |
| Lower-bound | 584,064 | 1,000 | 584,064 | ,301 | ,589 |
| Error(brand) | Sphericity Assumed | 38762,688 | 20 | 1938,134 |  |  |
| Greenhouse-Geisser | 38762,688 | 20,000 | 1938,134 |  |  |
| Huynh-Feldt | 38762,688 | 20,000 | 1938,134 |  |  |
| Lower-bound | 38762,688 | 20,000 | 1938,134 |  |  |

*H4: Consumers who score high in risk avoidance and find brands important in choice are willing to pay a price premium for the copycat brand rather than for the differentiated one*

Finally, for testing the last hypothesis H4 only people that are risk averse and perceive the brand as one of the important features of the product while making a choice were taken into consideration. In total they were only 26 respondents having these characteristics.

The statistical hypotheses for this test are again the following:

H0: The price is equal for Livia and Чистая Линия (Chistaya Linia)

Ha: The price is not equal for Livia and Чистая Линия (Chistaya Linia)

As it can be seen from the results (Table 13), the p-value (0,047) is finally lower than 0,05 which means that the null statistical hypothesis is rejected and the alternative hypothesis is accepted. That means that the H4 is accepted.

*Table 13. Tests of Within-Subjects Effects*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Tests of Within-Subjects Effects** | | | | | | |
| Measure: price | | | | | | |
| Source | | Type III Sum of Squares | df | Mean Square | F | Sig. |
| brand | Sphericity Assumed | 8055,146 | 1 | 8055,146 | 4,357 | ,047 |
| Greenhouse-Geisser | 8055,146 | 1,000 | 8055,146 | 4,357 | ,047 |
| Huynh-Feldt | 8055,146 | 1,000 | 8055,146 | 4,357 | ,047 |
| Lower-bound | 8055,146 | 1,000 | 8055,146 | 4,357 | ,047 |
| brand \* Stay\_in\_Russia | Sphericity Assumed | 3337,141 | 1 | 3337,141 | 1,805 | ,191 |
| Greenhouse-Geisser | 3337,141 | 1,000 | 3337,141 | 1,805 | ,191 |
| Huynh-Feldt | 3337,141 | 1,000 | 3337,141 | 1,805 | ,191 |
| Lower-bound | 3337,141 | 1,000 | 3337,141 | 1,805 | ,191 |
| brand \* Income | Sphericity Assumed | 6987,003 | 1 | 6987,003 | 3,779 | ,063 |
| Greenhouse-Geisser | 6987,003 | 1,000 | 6987,003 | 3,779 | ,063 |
| Huynh-Feldt | 6987,003 | 1,000 | 6987,003 | 3,779 | ,063 |
| Lower-bound | 6987,003 | 1,000 | 6987,003 | 3,779 | ,063 |
| Error(brand) | Sphericity Assumed | 48068,064 | 26 | 1848,772 |  |  |
| Greenhouse-Geisser | 48068,064 | 26,000 | 1848,772 |  |  |
| Huynh-Feldt | 48068,064 | 26,000 | 1848,772 |  |  |
| Lower-bound | 48068,064 | 26,000 | 1848,772 |  |  |

Looking closer to the means of the prices that respondents are ready to pay for Livia and Чистая Линия (Chistaya Linia) (Table 14), it can be observed that the difference is very slow but it is there and the price of the copycat brand Livia is higher than the price of the differentiated brand, so the main idea of the master thesis was proved.

*Table 14. Estimates*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Measure: price | | | | |
| brand | Mean | Std. Error | 95% Confidence Interval | |
| Lower Bound | Upper Bound |
| 1 | 164,483a | 9,285 | 145,397 | 183,569 |
| 2 | 163,724a | 9,983 | 143,204 | 184,245 |
| a. Covariates appearing in the model are evaluated at the following values: Stay\_in\_Russia = 61,97, Income = 4,62. | | | | |

After several analyses conducted with the use of IBM SPSS, from 4 hypotheses only 3 of them can be confirmed.

* 1. **Discussion of the results and implications**

Based on the research and the analysis that were described earlier we can come up to the following table showing the results including the hypotheses that were accepted and rejected. Only 1 out of 4 was rejected which means that most of the researches found as a basis for this paper were relevant also for the case when the consumer is making a choice between a copycat brand and a differentiated brand.

*Table 15. Final results of hypotheses testing*

|  |  |
| --- | --- |
| **Hypothesis** | **Status** |
| *H1: Consumers who score low in risk avoidance and do not find brands important in choice are willing to pay a price premium for the differentiated brands rather than for the copycat.* | Reject |
| *H2: Consumers who score high in risk avoidance and do not find brands important in choice are willing to pay the same price for the differentiated and the copycat brands.* | Accept |
| *H3: Consumers who score low in risk avoidance and find brands important in choice are willing to pay the same price for the differentiated and the copycat brands.* | Accept |
| *H4: Consumers who score high in risk avoidance and find brands important in choice are willing to pay a price premium for the copycat brand rather than for the differentiated one.* | Accept |

After all the conducted analyses it can be concluded that not all the variables do have effect on the copycat brand preference, thus, not all the hypotheses stated at the beginning were confirmed. As it was mentioned before, all together 3 variables showed the significant results: brand importance and level of risk avoidance. The confirmation of the 4th hypothesis about the willingness to pay for the copycat brand a price premium shows that the topic of the copycat was not studied enough before and people are ready to pay price premium in order to get rid of the uncertainty. However, the difference was very small and that fact can be explained by the fact that the copycat brands are usually perceived as lower quality brands and people are not used to pay more for them.

In general, these results have both practical and theoretical contribution to the sphere of management, marketing and shopper marketing in particular.

From theoretical point of view, the research that was made broadens the previous studies such as the study of Van Horen, F., & Pieters, R, on whose article the research was built at the beginning with the new data collected in new conditions. While Van Horen, F., & Pieters, R were asking their respondents to imagine that they are located in another country, this research studied the behavior of the people who are already physically present in a new for them country and they are answering the questions feeling at the same moment this feeling of uncertainty while making the buying decision in a new unknown environment. The respondents do not know much about the country where they are, they do not speak the language of this county and they do not know anything about the products among which they have to choose in the stores. In comparison with the other data, the data collected in a real-life experience provides more accurate and precise results.

Moreover, the study that was conducted provides a new set of data characterizing a new market that was not investigated before. Van Horen, F., & Pieters, R asked European (Dutch) students to imagine going to Asia (China). In the study that us discussed now the respondents were located in Russia, so the study brings a new information about the behavior of foreign consumers on the Russian market which is very different from the European or Asian one.

Finally, it brings a new information not only about another unknown market but also about another type of product – utilitarian goods. As it was mentioned before, utilitarian goods are ones whose consumption is more cognitively driven, instrumental, and goal oriented and accomplishes a functional or practical task. People are buying shampoos to wash their hair and not just to be pleased. The Dutch researchers were asking their respondents to make their choice between different cafes where to go for a coffee which is a hedonic type of goods meaning that the consumption of coffee is primarily characterized by an affective and sensory experience of aesthetic or sensual pleasure, fantasy and fun and not like the utilitarian ones. It would be interesting to compare the received data from both of the tests: on hedonic and utilitarian goods.

Regarding the practical contribution for the managers, entrepreneurs, and marketers, the research is also bringing some interesting insights. First of all, copycatting of leader brands is widespread, and it is important to understand when and why these practices can be effective. The study is proving that local Russian producers can use the copycat branding strategy for their products in order not to lose money and efforts on promotion and building the awareness about the brand. However, this strategy will be the most efficient in case when these copycat brands are exposed to the visitors of the country, especially to the tourists or travelers, foreign students or workers. Today there is a high level of geographical mobility which offers for local Russian producers a new market of these people. For example, in Saint Petersburg the producers can sell their products in the stores located close to the places where the tourist are usually going like The Hermitage, Russian Museum, Palace Square etc. This point is very relevant nowadays because soon Russia is expecting more around 1,5 million of visitors coming to the country for the World Cup 2018. This event is opening Russia for the whole world and every year more and more tourists are coming. Due to this fact the producers can use the copycat branding strategy and their products will be more popular among the visitors of Russia than differentiated and unknown brands because the customers will see a familiar brand and will choose it because of the reasons studied in this paper.

The strategy will be even more successful if the producers could target with it the people who care about the brand of the product they are buying and are not ready to take a risk buying an unknown product. The copycat brand strategy can help to reduce the perceived level of risk and the uncertainty about the quality of product.

It can be said that the copycat strategy is helping at the same time to both producers and consumers. The producers do not need to waste extra money on building the brand equity, promotion and the consumers have an easier choice in store when it is very complicated because they do not know anything about the products and cannot get information because they do not speak the language.

# **Conclusion**

The paper brings an interesting an attractive topic to the discussion – the preference for the copycat brand and the willingness to pay a price premium for it in particular. This topic is very relevant nowadays due to the increasing of such a trend like globalization. People no longer have borders and can travel around the world making their choice of products and brands. However, it is becoming harder for local entrepreneurs to face the global giants producing global goods and services.

The research conducted showed that people who does not like to take risk, care about the brand they are buying, having a high level of experience of living abroad and low level of language of the country where they are travelling will prefer to buy a copycat brand rather than a differentiated unknown brand. In addition, he will be ready to pay more for this copycat brand in order to decrease the level of uncertainty. However, it is very important to mention that all 5 hypotheses that were accepted along the paper can work only together. If we take them separately, they will be rejected or will show a very low level of significance. This fact shows that the topic of the copycat is a very complicated topic and needs more research.

In future, the researchers can look and investigate the consumer behavior towards the copycat brands on other markets, in other cities. The paper has stronger results than the earliest works on the topic of the copycat brand because the research was done in a real life situation when the respondents are located physically in the uncertainty and are not asked to imagine being in another country. It showed the specifics of the foreign students coming to Russia, but there is so many more different groups of people coming to Russia or other countries that were not studied before.

Further research might take as independent variables not only risk avoidance, brand name importance but other factors that characterize and differ the respondents. In addition, due to the time constraint and the resources limit the research that was conducted had a relatively small sample and the experiment was not done in a proper way. The researchers might gather later a higher sample of respondents that can be studies. They might be put into different situations and after a set of new experiments will be conducted, the new set of results can be analyzed. There might be a set of variables that will be controlled by the researchers, as it is usually done in case of experiments. We believe, that the topic of the copycat brand has more specifics to be studied and tested among different samples of respondents and on different geographical markets.

To sum up, we can say that the copycat brand strategy is not a bad strategy, but only if it is used in the right case. Then, the company producing the copycat will not harm their image and get profit from those people who were struggling to choose the right item in the store and the copycat brand helped them to make this choice, like the advertising usually does. The marketers should consider using the copycat brand strategy when working with foreigners coming to a new country where they do not know much about the country itself, the language and thus, feel uncertain about the quality of the products among which they have to choose in the store.

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# **Appendix**

Appendix 1 – Questionnaire

Please spend some time to familiarize yourself with the following brands in shampoo category.



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Imagine that you need to buy a shampoo for you /your male friend. You come to a supermarket here in Russia and you have only two options.



These products are unknown to you and you don’t know what their quality will be like. You want to make sure you buy the brand that will not be harmful for your/your male friend’s hair. In other words, you want to choose the right brand.

Based on this information, please respond the following questions below:

1. My likelihood of buying Livia is



Very low Very high

1. My likelihood of buying Чистая линия (Chistaya Linia) is

Very low Very high

1. Considering these two brands are your only options, would you be willing to pay more for Livia or Чистая линия (Chistaya Linia)?

I would pay more for Livia I would pay more for Чистая линия

(Chistaya Linia)

1. The price for this type of shampoo for men in Russia varies from 100 to 300 rubles. How much will you pay for each of these shampoos?

Price rub

Price rub

--------------------------------------------------------------------------------------------------------------------



1. Compared to Nivea, I think Livia is similar in logo and shape

Completely disagree Completely agree

1. Compared to Nivea, I think Чистая линия (Chistaya Linia) is similar in logo and shape

Completely disagree Completely agree

1. I believe Nivea is an attractive shampoo brand

Completely disagree Completely agree

1. I believe Livia is an attractive shampoo brand

Completely disagree Completely agree

1. I believe Чистая линия (Chistaya Linia) is an attractive shampoo brand

Completely disagree Completely agree

1. Buying Livia shampoo is

Not at all risky Extremely risky

1. Buying Чистая линия (Chistaya Linia) shampoo is

Not at all risky Extremely risky

1. If I am seen buying Livia shampoo, my friends might judge me

Completely disagree Completely agree

1. If I am seen buying Чистая линия (Chistaya Linia) shampoo, my friends might judge me

Completely disagree Completely agree

1. I am interested in shampoo category in general

Completely disagree Completely agree

1. Shampoo category is important to me

Completely disagree Completely agree

1. I get involved with what shampoo brand I use

Completely disagree Completely agree

1. I would rather be safe than sorry

Completely disagree Completely agree

1. I want to be sure before I purchase anything

Completely disagree Completely agree

1. I avoid risky things

Completely disagree Completely agree

1. When you choose a product in a shop, how important are the following characteristics for you?

* Brand name

Not at all important Very important

* Quality

Not at all important Very important

* Price

Not at all important Very important

1. How long has it been since you arrived in Russia?
2. Which country are you from?
3. Indicate your gender

* Male
* Female

1. Indicate your age
2. Compared to a regular student, would you consider your disposable income to be

Very low Very high