CONSUMER BEHAVIOR TOWARDS RUSSIAN BRANDS OF FOREIGN FMCG COMPANIES

V.V.NAZAROVA, I.YU.CHURAKOVA,
B.N.KURILOV, D.D.TITOVA
St. Petersburg School of Economics and Management, HSE University, Russia

Goal: this study aims to explore the existent theoretical concepts that may explain the behavioural response of consumers in relation to various cross-categorical fast-moving consumer goods brands that constitute brand portfolios of international FMCG corporations. Namely, these concepts include the halo error, foreign-local bias, country-of-origin effects. The research grasps if changes in the consumer attitude exist when it comes to misidentification of brands by country of origin (the outcome from foreign-local bias), which is resulted by the occurrence of halo effect. Methodology: the research suggests quantitative methodology to explore the customer viewpoints. The data was collected through online structured interviews with ordinary visitors of grocery shopping malls, analysed and interpreted under the structural equation modelling statistical technique. Findings: from the customer standpoint, the research suggests that Russian consumer experience halo effect from the pseudo-local FMCG brands. Besides, this cognitive bias is shown to be positively related with the age of consumers, meaning that the older consumers are exposed to experience halo effect. The misidentification of FMCG brands by country of origin is directly influenced by the occurrence of halo effect among domestic consumers, but is not shown to drive their subconscious orientation towards pseudo-local FMCG brands. Originality and contribution the authors: the research helps to identify the system of relationships that could explain the consumers’ subjective orientation towards pseudo-local FMCG brands. As not all the hypothesised paths being supported by the data, the significant relationships on consumers’ attitudes are identified.

Keywords: FMCG brands, the halo effect, the pseudo-local brands, the foreign-local bias, the country-of-origin effects.


INTRODUCTION

With the revolutionary changes in behaviour of Russian consumers occurring by virtue of drastic economic transformations, including volatile and fragile business environments, product shortages followed by greater abundance of choice, have greatly stipulated the evolution of Russian consumer culture. Evidently, such effective transitions
have glassed their mark on consumer preferences in a highly turbulent environment, which in turn gave a rise to form proper marketing “brand acculturation” strategies [Gronhaug, Supphellen, 2003].

In the 2000s, many foreign fast-moving consumer goods (FMCG) companies began not only to integrate their brands into the Russian market but also create the so-called “localised brands”. It is still in question whether FMCG giants are deliberately separating detached pseudo-local brands from the general product line to have Russian consumers suspect no adherence of a brand to international company, to be more willing to pay for domestic products, or it is just an extension of the product line. This underlies the topic’s scientific popularity among scholars, because strategic approaches to international branding are evolving, and given the combination of vast variety of choice and smart brand acculturation strategies, the topic of consumer behaviour in pseudo-local context is under-researched.

Indeed, the topic of examining and even measuring attitudes towards particular FMCG products or brands from the standpoint of consumers have always attracted scholars to explore the underlying drivers of consumer response. One of the contexts that is being devoted ample attention to among scholars is the country-of-origin effects. With the global emergence of complex products, the concept of country-of-origin effects has been introduced as a way of enhanced customer brand evaluation through rather country specifics, than unique product attributes associated with the brand [Ahmed, D’Astous, 2008].

Unlike the country-of-origin effects, the relatively new concept that is associated with determining consumer behavioural responses is the brand identity misclassification, which has recently been discussed as the cue by which consumers evaluate FMCG brand offerings, based not only on the image of a country-manufacturer, but also on complex comprehensive attributes which are either directly or indirectly associated with the brand generation [Panda, Kapoor, 2016; Mandler, Won, Kiom, 2017]. Scholars ensure that the original concept of country-of-origin effects, together with the emergence of the theory of brand origin, create a room for the occurrence of a halo effect or halo error, which evaluates as a result of rather positive emotions or experiences being associated with the product/brand are extrapolated elsewhere [Lee, Chae, Lew, 2016].

The literature provides an evidence into the evaluation of consumer behaviour through not only halo effects, but also assessments of potential misidentification of brands by their identities [Balabanis, Diamantopoulos, 2011]. As there are many complex above-mentioned factors that can determine the changes in consumers’ attitudes, it is still questioned if these constructs may have statistical effects and comprise an effective model of estimating the strength of the relationships between attitude-related constructs. Hence, the research questions are raised as follows:

- how is the halo effect generated and what is its power to influence purchase decisions regarding pseudo-local FMCG brands;
- which factors in this system have a statistically significant influence on consumers’ orientation towards pseudo-local FMCG brands?

To answer these questions the study aims to explore the existent theoretical concepts that may explain the behavioural response of consumers in relation to various cross-categorical FMCG brands that constitute brand portfolios of international FMCG corporations.

Practical implication of the research provides marketers from local FMCG companies with vital insights on the situation regarding attitudes and emotional response of local consumers towards global FMCG brands with biased identities. The information on customer confusion and changes in the attitudes towards pseudo-local FMCG brands may serve as a driver for local FMCG companies to enhance their brands and their performance on the local market, to gain solid competitive advantage over large foreign companies and
promote internal awareness-raising campaigns. Besides, the outcomes obtained may simplify the processes of decision-making inside brand strategy domains, brand’s picos (pictures of success) and customer journey maps (CJMs).

The article is structured as follows. The first part provides a literature review to assess the research problem and possible research methods. The second part represents the theoretical framework and hypotheses statement, while the third part describes the research methodology. The fourth section focuses on constructing a model and assessing the significance of factors influencing consumer behaviour. In the fifth part the authors discuss the results obtained and their value from a theoretical and practical point of view. In conclusion the research shows that Russian consumers are affected by a halo effect of pseudo-local FMCG brands and defines the ways for future investigations.

LITERATURE REVIEW

Scientific findings in literature on marketing and branding provide serious evidence into consumer behaviour and attitude towards local and global FMCG brands. In certain contexts, scholars consider local and global brands from two perspectives — the supply-side which comes from the businesses (company standpoint), and the demand-side which comes from consumers (consumer standpoint) [Özsomer, 2012]. The first investigates either brand as the one that has a presence across a wide range of countries but in a distinct geography with its own local standards to marketing approach [Llonch-Andreu, 2016]. At the same time, consumers may lack awareness of a brand’s global presence that is far beyond their local markets [Fastoso, González-Jiménez, 2020; Sichtmann, Davvetas, Diamantopoulos, 2019]. Added to this, branding literature has explored the relationship between perceptions of the localness and a brand. The authors of the article [Steenkamp, Batra, Alden, 2003] proposed the term “brand local icon value” which is also known as perceived brand localness. It examines the degree to which a brand is tied with and incorporated into the local culture, which is regarded as a highly promising way for local brands to compete with global brands and even surpass them [Guo, Hemberg, Zou, 2019; Liu, Tsai, Tao, 2020; Sichtmann, Davvetas, Diamantopoulos, 2019]. There are more studies devoted to the perception of global and local brands, comparing them with each other and their impact on the purchase of goods [Khurana, 2018] and stereotypes about the brand [Davvetas, Halkias, 2019; Lee, Chae, Lew, 2020].

As partially discussed in the Introduction, the scientific evidence presented by scholars establishes that the brand choice is directly affiliated with the consumer attitude towards the country where the brand is originated [Gronhaug, Supphellen, 2003; Ahmed, d’Astous, 2008; Vries, Fennis, 2019], which is being referred to as country-of-origin effects. This concept has longer been an attraction factor for scholars to investigate in the field of international marketing and branding. Country-of-origin effects imply that the country with the more reputable image in certain labels of FMCG categories may have a respected recognized brand which is introduced globally, and the image of this brand is spread across various countries of presence. Indeed, this proves to be a substantial stipulator for the halo error, which occurs when positive emotions or experiences associated with the product/brand are extrapolated elsewhere [Lee, Lokshin, Greenacre, 2016].

As a concept of cognitive bias, halo error was first introduced by Thorndike in 1920 in his psychological observations about supervisors who had a lack of ability to rate their subordinates with independent factors. When the original conceptualization of halo error emerged, it had been applied not only in psychology, but also in marketing and management research. For example, L. Leuthesser, C. Kohli and K. Harich investigated the effect of halo error on FMCG brand evalua-
tions and brand equity [Leuthesser, Kohli, Harich, 1995]. The combination of prior findings and recent research may serve as a useful guidance for both scholars and managers in assessing misperceptions towards FMCG brands. Indeed, halo error enables a brand to positively advocate its reputation to its most popular constructs [Yasin, Liébanacabanillas, 2019]. It implies biased behaviour of customers who extrapolate positive experience or favourable items to the brand and its offerings at large.

The review of literature on halo error in consumer marketing has provided serious evidence on interdependent attributes of brand evaluation. For example, one of the main attributes is the country where the corporate headquarters which market a brand are located (with no relation to where branded commodities are produced), has a direct impact on buying intentions [Lee, Lokshin, Greenacre, 2016]. This inference is also supported by [Balabanis, Diamantopoulos, 2011], who have confirmed that country of origin is a determinant in brand evaluation through brand intrinsic, second order and third order attributes so that it affects the decision-making process stages and further demand in global perspective.

However, the effect of the brand’s country of origin may vary for countries with different degrees of globalisation. So, T. Mandler, F. Bartch and C. Han proved that for a globalised market (Germany), the perception of a global brand is a weak signal of brand confidence compared to brand locality [Mandler, Bartsch, Han, 2021]. At the same time, in globalising markets (South Korea), both brand origins are equally important. This study proves that the perception of the origin of the brand depends on the level of globalisation in the country.

However, it is well-established in research that consumers often misclassify the true origins by attributing the products of the brand to the wrong country [Balabanis, Diamantopoulos, 2010; Magnusson, Westjohn, Zdrakovic, 2011; Mandler, Bartsch, Han, 2017]. Moreover, there are more “weak-image” companies which are not only striving to leave a fact of their country-of-origin unrelated, but also advisedly attributing themselves to countries with more reputable brand images to take advantage of generating stable revenues [Samiee et al., 2010]. It is of the utmost importance to emphasise that consumers do not give an account of a wrong attribution of a brand to the perceived country-of-origin [Magnusson, Westjohn, Zdrakovic, 2011], and will not become aware of that afterwards. It creates a space for exploiting the misclassification on behalf of above-mentioned companies with rather weak brand images. P. Burke, G. Dowling and E. Wei suggested that the corporate reputation of foreign companies plays an extensive role in brand evaluation, and sufficient knowledge of the company and its operations significantly increases the likelihood of purchasing [Burke, Dowling, Wei, 2017].

L. Camacho, P. Ramires-Correa, C. Salazar-Concha investigated the influence of the band’s country of origin on consumer behaviour regarding it [Camacho, Ramírez-Correa, Salazar-Concha, 2022]. Although many authors find a significant connection, the authors do not find that the relation is insignificant during the COVID-19 pandemic, which is explained by the interest of customers in direct quality indicators.

Due to the increasing importance of applying the principles of sustainability in life, people tend to buy environmentally friendly products. Many studies show that for such products, the country of origin is important too. For example, S. Dekhili and T. Nguyen found that Vietnamese consumers are more likely to purchase domestic goods than from another country, while residents of Algeria and Tunisia, on the contrary, imported goods [Dekhili, Nguyen, 2021].

The image of the country of origin has a positive effect on the brand image, brand evaluation and consumer intention to make a purchase. In turn, the image and evaluation of the brand entail a positive decision on the purchase of goods [Adenan, Ali, Rahman, 2018; Hien et al., 2020].
The country of brand’s origin affects sales figures, namely, locality within the country entails large sales volumes with the remaining indicators unchanged. Unlike other works, the authors subdivide locality into the presence of a local headquarters and local distribution of goods [Hoskins, Verhaal, Griffin, 2021].

THEORETICAL FRAMEWORK

The conceptual framework is designed to systematise the most relevant evidence presented by scholars to contribute to the formation of hypotheses through the touchpoints described in the Literature review. These are brand origin in the context of occurred halo error from foreign brands, misclassification of local brand identities, and attitudes towards local brands. The respective sections below explore theoretical concepts that are built around the theory of halo effect in international marketing.

It is widely established in literature that the halo effect makes consumers associate the product/brand with the technological and/or economical stand of the country-of-origin [Koubaa, 2008]. In other words, developed countries tend to have stronger halo effects, having more favourable brand image than developing countries. It is stipulated by the fact that consumers from developing countries are more inclined to the foreign brands and products imported from overseas, especially if they originate in foreign markets, because of their personal assumptions about country image which are built as a result of above mentioned overgeneralization of available information [Koubaa, 2008; Lee, Lokshin, Greenacre, 2016]. Other scholars who investigated the same scope of the halo effect also noticed that local consumers underrate domestic brands and do not expect them to have a strong positive brand image. As a result, consumers from developing countries are exposed to misclassify local brands as foreign as it was mentioned by [Oh, Ramaprasad, 2003].

Accordingly, to develop our own extension of the reviewed research, we would like to investigate the effect of misclassification brought by created favourable images stipulated by respected favourable identities attached to them, and whether FMCG corporations deliberately imitate local attributes to develop effective branding. Therefore, within the scope of this study, we will be exploring the relationship between the degree of misclassification by identity and the type of attitude consumers express towards brands of local context.

Within the scope of the theoretical foundation, theory of halo effect acts as a keynote of this study. Particularly, two touch points related to mentioned theory have been explored, namely misclassification arisen through the following aspects — country image, product attributes through the country image and brand identity, which are distinctive substantial parts contributing to the theory of halo effect in international branding. In relation to these theoretical concepts, the respective hypotheses in each of the theoretical sections to extend the existent research are formulated, and a conceptual framework is being established (see Figure 1).

Summarising the findings of [Oh, Ramaprasad, 2003; Spence, Essoussi, 2010; Samiee, 2011; Sulhaini, Rinuaustutti, Sakti, 2019], the country image is associated with the technological and economic development of the brand’s country-of-origin. It creates a potential for occurrence of halo effect by affecting subjective perceptions that are subconsciously extrapolated. Accordingly, it is reasonable to hypothesise that the strength of halo effect determines the extent of misclassification of pseudo-local brands by country-of-origin perceived by domestic consumers and then affects the general consumer response. Besides, there are findings that explore the age and gender stereotypes in relation to the halo effect in a psychological context. For example, M. Radeke and A. Stahelski suggest that there is no direct relationship between people’s age, gender attributes and a halo effect. Since these results apply
to a different context, the opposite results can be hypothesised in relation to marketing context when examining the changes in consumers attitudes [Radeke, Stahelski, 2020].

In summary, we can assume that there is the halo-effect that influences the misclassification of brands and therefore affects customers behaviour in the way described above:

- **hypothesis H1.** Consumer demographics (age, gender, level of education) predicts the halo effect among Russian consumers;
- **hypothesis H2.** Halo effect influences the misclassification of pseudo-local FMCG brands by country of origin;
- **hypothesis H3.** Halo effect directly determines the attitudes of Russian consumers towards pseudo-local FMCG brands.

Finally, considering local brand identity, it is vital to mention that identity is strategically formed by corporations to manipulate the preferences of consumers [Koubaa, 2008; Lee, Lokshin, Greenacre, 2016]. Organisations tend to pursue the so-called “foreignlook” strategies to make their brands being perceived in the purposefully outlined context. Hence, within the scope of this research, we hypothesise that after consumers are made aware about the fact of misclassification by identity, their consumer attitude will be significantly changed and become negatively affected [Lee, Lokshin, Greenacre, 2016]. Therefore, the final hypothesis of the study will be the hypothesis about the influence of brand identity on consumer behaviour (Hypothesis 4).
- **Hypothesis H4.** The misidentification of brand identity by country of origin has a direct impact on the orientation of Russian consumers towards pseudo-local brands.

In the next part of the study, the hypotheses will be tested on the basis of the collected database.

**METHODOLOGY**

**Data collection**

The basic objective of this study is to determine the halo effect as the extent to which Russian consumers perceive popular pseudo-local FMCG brands from three countries — USA, Germany and France. This study explores four categories of goods that consumers purchase on a regular basis — food and drinks, personal care products, household products, and home appliances. To evaluate the halo effect, the “Halo” construct was set to comprise two main measures — country image (the image of a country where the brand is marketed, not manufactured) and
product image, respectively. The certain items that define these measures are presented below (see Table 1).

It is important to note that the layout of the interview assumes the reverse coded questions next but one and propose both positively and negatively oriented assumptions about the country and local products, to not unwittingly skew respondents to either side (purely patriotic or the opposite). Hence, this guaranteed the candidness during the surveying process, and prevented subconscious bias among respondents when they were answering the interview questions.

Misidentification towards pseudo-local FMCG brands is defined as the extent to which Russian consumers are aware of the attribution of popular FMCG brands in above mentioned categories. To determine this extent, consumers were provided with the set of pictures that contained both local and pseudo-local FMCG brands that are popular in Russia and were asked to identify the perceived country of origin out of four countries in the list — Russia, USA, France and Germany. Based on the outcomes, the new variables were computed for each of the product categories (see Table 2). These variables are the awareness indices of Russian consumers of true origin, which is determined by the number of brands with correctly identified origins.

### Table 1

<table>
<thead>
<tr>
<th>Country image</th>
<th>Internal product image</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Variable</strong></td>
<td><strong>Variable label</strong></td>
</tr>
<tr>
<td>halo1_develop</td>
<td>Perceptions towards the extent of dynamics and successful development</td>
</tr>
<tr>
<td>halo1_politics</td>
<td>Perceptions towards internal politics</td>
</tr>
<tr>
<td>halo1_economy</td>
<td>Perceptions towards Russian economy</td>
</tr>
<tr>
<td>halo1_livestand</td>
<td>Perceptions towards local living standards</td>
</tr>
<tr>
<td>halo1_tech</td>
<td>Perceptions towards technological advancement</td>
</tr>
<tr>
<td>halo1_protect</td>
<td>Perceptions towards public safety</td>
</tr>
</tbody>
</table>

### Table 2

<table>
<thead>
<tr>
<th>Measures of attitudes</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Variable</strong></td>
<td><strong>Variable label</strong></td>
</tr>
<tr>
<td>food_aware</td>
<td>Awareness index of origin of food and soft drinks</td>
</tr>
<tr>
<td>percare_aware</td>
<td>Awareness index of origin of personal care products</td>
</tr>
<tr>
<td>household_aware</td>
<td>Awareness index of origin of household products</td>
</tr>
<tr>
<td>homeap_aware</td>
<td>Awareness index of origin of home appliances</td>
</tr>
</tbody>
</table>

The attitudes of Russian consumers towards pseudo-local FMCG brands were measured by the potential changes in the respondents’ attitudes when they had recognized the fact of misidentification. Hence, this part of the survey is related to the prior part, where respondents were attempting the iden-
tify the true origin of the brands. However, at further stage, consumers were provided with the description that contained the authentic information about the true origin and asked to mark how the attitude towards the brands would have been changed afterward, on three-point scale, where 1 — “no impact on further buying intentions”, 2 — “negative impact on further buying intentions”, 3 — “positive impact on further buying intentions”. Finally, the variable names are given in the Table 2.

The data collected for Consumer Research part is fully quantitative and represents answers to the questions from structured online interviews with the target sample — ordinary Russian FMCG consumers who tend to do regular grocery shopping.

Data collection process included two basic stages. The first stage was the survey where respondents were asked to rate every given statement on country and product images on the scale from 1 to 4, where 1 stands for “completely disagree with the statement”, and 4 — “completely agree with the statement”. The questionnaire consisted of 30 questions about brand image, country image, respondent familiarity with the countries brands, their attitudes towards the firm’s private brands and questions related to customer’s awareness about brand manufacturing country. All items were assessed using either Likert-type or semantic differential scales, both of which are considered to provide interval-level data [Trochim, Donnelly, 2001].

In the literature, the halo effect is estimated by comparing the attitudes of consumers of a particular brand with their attitudes towards local values. For this purpose, the questionnaire is converted into the variables presented in Table 1. Data analysis algorithms have been adopted in various fields, such as customer segmentation [Zhu et al., 2022], customer satisfaction [Xu, 2022], and customer loyalty [Hosseini, Maleki, Gholamian, 2010; Khoa et al., 2022].

When conducting the survey, the key questions were as follows.

1. How do you think brands from which countries own the listed products (customers evaluate pictures of selected food, household chemicals, personal care products and household appliances brands)?
2. Please rate how much you like these products on a scale of 1 to 4, where 1 is “totally disliked” and 4 is “really like”.
3. Suppose you are looking at some of the following products. You have always believed the goods are Russian, but in fact they are from a foreign company. Assess to what extent this would change your attitude to these goods, on a scale from 1 to 3, where 1 — “would not change”, 2 — “would change for the worse”, 3 — “would change for the better”.

Of the 1 000 questionnaires distributed, 520 were returned; 105, however, were eliminated owing to incomplete data. The interviews were distributed online and controlled to reach the optimal level of representativeness of the sample. At the confidence level of 95%, using the maximum possible size of the general population (the study covers a relatively large scale, the country level, therefore, the maximum size of the general population is assumed). Hence, the minimum sample size required for this study is 384 people. As the sample contains 415 unique observations that belong to each individual respondent, the sample can be considered representative.

Therefore, a total of 415 usable questionnaires and structured interview protocols were completed, for an effective response rate of 42%. 66% of respondents were females and 33% males; 21% were young (18–21), 24% aged 55 and more, 55% of other categories between 21 and 55.

The paper surveyed consumer reactions to the following brands owned by foreign holdings: Coca-Cola HBC, Danone and PepsiCo. For example, the food production industry is represented by the following brands: Agusha, Chudo, Domik v derevne, Vesely Molochnik and Lyubimy juices, Fruktovy Sad, Ya, Russkiy Dar kvass and Chudo Yagoda drink, Dobry and Moya Semya. Out of
413 respondents determined that the brand belongs to a foreign brand: in the food sector — 41% (4.8% found it difficult to answer), in household chemicals sector — 60% (4% found it difficult to answer), personal care products — 57% (3% found it difficult to answer), household appliances — 80% (10% found it difficult to answer).

Each set of the interview questions measured different constructs that were further used for building mathematical models and represented the system of relationships to find an answer to the research question. Since PCA is sensitive to the range of the variables, all variables included in the solution were standardised prior to modelling [Holland, 2019]. In accordance with our theoretical framework, these are the Halo Effect, Misidentication towards pseudo-local brand identity, and Attitudes towards pseudo-local brands. The proposed rating scale digitises the verbal characteristics of the products, avoids unwarranted variation in responses and leads respondents to a clear choice of attitude towards the product.

Sample descriptive statistics

Sample descriptive statistics for the main indicators could help to analyse the initial raw variables statistics. Highest scores mean a rather positive attitude towards the component of Halo effect. All scores above the theoretical mean equal to two, we can interpret as the respondents at least agree with the statement. The lowest scores belong to the perception of politics and national economy, the highest are associated with the perception of living standards, reputation and prestige. Halo effect measures descriptive statistics are presented in Table 3.

Awareness’ scores show that the level of correct recognition is above the theoretical mean, customers are aware of personal care products. The proposed rating scale digitises the verbal characteristics of the products, avoids unwarranted variation in responses and leads respondents to a clear choice of attitude towards the product.

### Halo effect measures descriptive statistics

<table>
<thead>
<tr>
<th>Variable</th>
<th>Country image</th>
<th>Mean</th>
<th>Standard deviation</th>
<th>Internal product image</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>halo1_develop</td>
<td>2.01</td>
<td>0.79</td>
<td>halo2_package</td>
<td>2.50</td>
<td>0.73</td>
<td></td>
</tr>
<tr>
<td>halo1_politics</td>
<td>1.95</td>
<td>0.84</td>
<td>halo2_quality</td>
<td>2.00</td>
<td>0.60</td>
<td></td>
</tr>
<tr>
<td>halo1_economy</td>
<td>1.81</td>
<td>0.79</td>
<td>halo2_compos</td>
<td>2.54</td>
<td>0.77</td>
<td></td>
</tr>
<tr>
<td>halo1_livestand</td>
<td>3.04</td>
<td>0.84</td>
<td>halo2_prestige</td>
<td>2.83</td>
<td>0.79</td>
<td></td>
</tr>
<tr>
<td>halo1_tech</td>
<td>2.60</td>
<td>0.80</td>
<td>halo2_reput</td>
<td>2.92</td>
<td>0.61</td>
<td></td>
</tr>
<tr>
<td>halo1_protect</td>
<td>2.88</td>
<td>2.80</td>
<td>halo2_value</td>
<td>2.26</td>
<td>0.80</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>food_aware</td>
<td>2.56</td>
<td>0.78</td>
</tr>
<tr>
<td>percare_aware</td>
<td>3.39</td>
<td>0.73</td>
</tr>
<tr>
<td>household_aware</td>
<td>2.63</td>
<td>0.70</td>
</tr>
<tr>
<td>homeap_aware</td>
<td>2.43</td>
<td>0.85</td>
</tr>
</tbody>
</table>

Table 3

Table 4

Table 4
brands, the score is close to 4, less known are household products, food and drinks. Measures of attitudes and descriptive statistics are presented in Table 4.

As the main methodology for the consumer part of the research which served as a keynote for all of the stages of the research design, the structural equation modelling technique was utilised. Unlike simple regressions that aim to account for the correlations between the observations and are considered single unified approaches to answering the research questions.

MODELLING METHOD

As the theory, which is based on the essence of the study and its research question, assumes a qualitative interpretation of effects as well as a quantitative assessment of causal relationships between phenomena, structural models are the best method for analysis. The author outlines that structural equation models are the most accurate method for fairly complex and heterogeneous research questions, involving the assessment of relationships between different and often not directly related phenomena that are not easy to measure, and because structural models allow for multiple dependent variables, such an assessment will be more revealing than if it were conducted through regressions.

The methodology of structural equation modelling is often complemented, and several new branches of analysis can be found in the literature. Most often, structural equations refer to structural covariance analysis models, i.e., the analysis of the covariance matrix of the variables rather than the variables themselves. K. Yuan, W. Chan and P. Bentler argue on whether it is a correct approach to call structural equations a direct causal model, despite the fact that they are directly related to the construction of relationships between variables [Yuan, Chan, Bentler, 1997]. However, they note that inferences about causal relationships should be drawn from the theoretical model at the heart of the study rather than being a default statistical method. Since the present study assumes such an exploratory design, conclusions about causality between phenomena can be validated.

The classic element of the structural equation method is path analysis using latent variables [Iversen, Hem, 2011]. Such variables refer to complex factors that are difficult to measure directly — happiness, intelligence, trust, including attitudes to various phenomena. Such phenomena are particularly interesting to analyse, because it is possible to build various variations of hypotheses to test such phenomena, based on the results of prior studies [Pearl, 2000]. It is accepted that latent variables can be defined as factors lying at a subconscious level, but they cannot be directly observed and quantified. This is why the structural equation method is very well known to science and has a certain popularity among scientists, as it allows a variety of approaches to measure difficult-to-observe concepts. One of the most widely used approaches is the direct construction of structural equations and their visualisation by means of graphical path analysis.

Principal component analysis (PCA) extracts three significant components. Our theoretical framework implies examination of three aspects — strength of halo effect among domestic consumers, misidentification towards pseudo-local brand identity, and attitudes towards pseudo-local brands. Therefore, it was decided to extract these three components at the initial stage to see what variables the software would suggest (see Table 5).

So far, it was observed that 415 observations are well measured by first three underlying constructs (components) and certain factors that were aligned with and measured respective items were examined. At this stage of analysis, it was also possible to answer the second validity-related research question and to observe which variables were significant for the specified component. Apparently, the variables that are measured by the
first component relate to the estimation of halo effect among Russian consumers. The second and third components are measured by groups of variables that represent attitudes towards pseudo-local brands and misidentification towards pseudo-local brands, respectively. The reliability of PCA constructs was shown to be adequate (see Table 6), as lambda coefficients are close to the recommended threshold which is 0.7.

When modelling structural equations, a multivariate regularity check is advised to be conducted to ensure that the model gives the most accurate results. There are several
ways to test for multivariate normality of the data distribution, including quantile analysis or probability plots. According to [Kaimi, 2015], the independent variables in a regression equation can be represented by points in a multivariate space (one point for each observation). A central point (midpoint) can be constructed in this space. The Mahalanobis distance is defined as the distance between the observation point and the centroid in a multidimensional space defined by correlated (non-orthogonal) independent variables.

As defined earlier, the analysis is outlier-sensitive, therefore the Mahalanobis test was conducted to define outstanding combinations of variables. Our dataset contains two values that violate this assumption of equal variance, and these estimates are therefore extracted from this study (see Table 7).

<table>
<thead>
<tr>
<th>Table 7</th>
<th>Detecting multivariate outliers</th>
</tr>
</thead>
<tbody>
<tr>
<td>ID</td>
<td>MAH_1 (Mahalanobis distance)</td>
</tr>
<tr>
<td>32</td>
<td>38.85762</td>
</tr>
<tr>
<td>258</td>
<td>38.85762</td>
</tr>
</tbody>
</table>

According to [Grewal, Cote, Baumgartner, 2004], the multicollinearity is the data problem which negatively affects the final results because of biased R-squared coefficient and skewed influence of the observed variables in the regression. In cases when highly correlated observed variables are assumed, the authors suggest analyzing the residuals when defining the model. This can be achieved through the consideration of the saturated model, which involves all possible linkages (both effects and covariances) in the model. The saturated model will be examined later in this analysis.

An estimation of the assumptions for the analysis indicates that multicollinearity is within the normal range (total VIF of the model is 2.073), there is also no autocorrelation of the residuals (autocorrelation coefficient is 0.01).

Model Identification represents the test for particular assumptions to get the unique solution for each free parameter that is specified in the model from the prior step. Model Identification works upon a certain condition that the number of free parameters \( q \) must be equal to or less than the number of non-reduced elements in the sample covariance matrix. The obtained number of degrees of freedom is 87, which means that the model is over-identified.

One of the assumptions of structural equation modelling is that the indicators of a scalar unidimensional measures of one construct. First, the Halo estimation is being conducted and all variables within this construct are unidimensionales and constrained in the original model. However, the same cannot be applied to the rest two construct — Misidentification and Attitudes. The most important indicator of fit is the goodness of fit index (GFI), which demonstrate a good level of fit. Finally, the constructs in the original model look reliable, unidimensionales and constrained (see Table 8).

To confirm the extracted components and their validity, a confirmatory factor analysis is conducted with the knowledge on how many factors in fact exist or which variables belong to which of the constructs. In fact, there are two different validities that should be tested under assumption of structural equation modelling:

- convergent validity, which measures if the items load up well under the constructs;
- discriminant validity is assumed to answer the question if constructs measure different phenomena.

The distinctive feature of this analysis is that the factors are derived from the theory, not a statistical model. Confirmatory factor analysis is applied to test the extent to which construct or factor. It is applied to test the extent to which a researcher’s a-priori, that means beforehand, what knowledge he had, and the theoretical pattern of factor loadings on the pre-specified constructs represents the actual data. Figure 2 shows the graphically represented theoretical model.

To establish the convergent validity of the model, the average variance extracted (AVE) statistics test is commonly applied. One more indicator needed for proving the convergent validity is the composite reliability (CR). The standardised regression weights were used in the final computations that were utilised in Microsoft Excel using an interactive calculator of AVE and CR. To establish the discriminant validity of the model, the squared correlations and computed AVE scores for each of the pairwise constructs were compared. It implies obtaining the correlations between all of the measured constructs. Final results are indicated in Tables 9, 10, demonstrating an adequate convergent validity of the model.

The model is evaluated with a multivariate regression (Table 11). The halo effect on misidentification has revealed statistical significance on the confidence level of 95%.

In our theoretical model, Misidentification serves as a mediator between Halo and At-
RESULTS

The first hypothesis suggested that the demographic attributes of Russian consumers could predict the halo effect. As consumer demographics included three variables — age, gender and the level of education, this hypothesis was only partially accepted. The results of statistical tests demonstrated that only age has a positive statistically significant

titudes. The final outcome of this analysis is the obtained z-score which tests the mediating effects. The computed Z-score belongs to the interval of negative 1.96 and positive 1.96 (on 95% level of confidence). It means that the data moves on negative 0.318 standard deviations above the mean, representing no statistical significance of Misidentification as a mediator, and Halo affects Attitudes in a direct way.
influence on halo effect. Hence, the hypothesis is accepted — it was proved that the older the age of Russian consumers, the greater the strength of the occurred halo effect. In their research, H. Larose and L. Standing suggested the contradictory findings that the halo effect was observed in the whole people’s lifespan, from young people to elderly [Larose, Standing, 1998]. A study conducted by G. Gabrieli, A. Lee, P. Setoh and G. Esposito has shown that the halo effect is strongly influenced by the increase in people’s age, but at the same time halo has no significant association with gender, which is supported by the results of this study [Gabrieli, Lee, Setoh, Esposito, 2021]. Previous research shows that demographic factors have a significant impact on consumer purchasing decisions (gender, income and education levels) [Puška, Stojanovic, Šadić, 2018]. It is logical to assume that the halo effect is related to demographic factors, as it is an element of decision-making. Indeed, there are a lack of relevant studies that examine the strength of the relationship between the halo effect and the level of education, which may serve as a contribution for further research.

The second hypothesis presumed that the misidentification of pseudo-local FMCG brand identities determined the halo effect among Russian consumers. Indeed, the hypothesis was also accepted, as the results demonstrated a positive relationship between these terms, meaning that the stronger the halo effect, the stronger the misclassification of pseudo-local brand identities. The results of the study coincided with evidence obtained by [Sulhaini, Rinuastuti, Sakti, 2019], who have stated that the halo effect from brands of industrialised Asian countries and misclassification of brand identities among Indonesian consumers are positively related. The evidence on Russian consumers can be explained by the greater extent of favorability of pseudo-local FMCG brands (which is the strong indirect evidence of halo effect), which produces a substantial confusion among Russian consumers as these brands are perceived as local.

Interestingly, alongside with the overall favorability of acculturated FMCG brands, Russian consumers were shown to have rather controversial associations with the country image. These inferences were made from the assumptions on the extent of the overall country development, technological advancement, economic and political issues, and the degree of safety. Even though negative views are still preserved towards the issues of politics and economy, the halo effect does not mean extrapolating positive experiences about the country’s image to all possible areas, and therefore, it should not be denied that the results may differ significantly depending on the initially established assumptions.

As discussed in the Literature review, consumer behaviour is often influenced by and associated with country-of-origin effects [Sulaiti, Baker, 1998]. This study suggested the relationship between the country-of-origin effects towards extent of development, politics and economy of the observed country, and the halo effect towards the brands that were perceived to be domestic. Hence, given the perceived negative country image, Russian consumers were found to extrapolate a positive attitude towards local brands and locally produced FMCG products, because of strongly positive internal images of local products, which were driven by the overall product quality, attractiveness of package and good composition. Finally, given the negative country image in terms of country development, the economy and politics, Russian consumers reckon that local FMCG brands are strong and reputable. Besides, this would explain the third and fourth hypotheses which expected that halo effect, together with misidentification of pseudo-local brand identities, could impact the final orientation (attitudes) of Russian consumers towards pseudo-local FMCG brands, but these paths were not statistically significant in this research. Hence, despite the pinpoint evidence was presented, the strength of the relationships cannot be stated.
A limitation of this study was the lack of information on the actual consumption of the products used in the study by consumers. The authors acknowledge that this information should be considered in future studies. This study investigated the impact of the brand affiliation information obtained on the willingness to consume these brands in the future. Change in the consumers’ behavioural pattern score is sufficient (6/10 points) is based on the following facts: (1) consumers are likely to think otherwise if they are informed about the brand’s true origin; (2) it is possible to increase loyalty to and trust in foreign production, but not for all product categories; (3) changes in behavioural patterns depend directly on the generation consumer belongs to, as well as product categories.

As areas for future research, the authors point to the need to use multivariate analysis, including changes in consumer loyalty to pseudo-domestic brands due to sanctions policy and exchange rate fluctuations. Consumers may refuse to purchase brand products due to negative policies towards the Russian economy. Additionally, the study can be expanded by analysing the share of foreign holdings in each of the markets studied. For example, in pharmaceuticals and hygiene products, foreign holdings hold more than 80%, as Russian brands are under pressure from international corporations.

CONCLUSIONS

The research shows, that Russian consumers are affected by a halo effect (in relation to a certain set of assumptions) of pseudo-local FMCG brands, since they prefer either local brands or brands that are perceived as local and express positive emotions (associations) in relation to the image of the country where these brands are present. This implies that Russian consumers believe that their country successfully realises public safety, is not technology backwards, and it fulfils its rights towards social welfare issues. In fact, the assumptions on more controversial issues, such as economy, internal politics, living standards etc. are also considered, and in relation to these aspects Russian consumers are found to express rather negative views. Finally, the positive experiences associated with pseudo-local brands are proved to be extrapolated on a certain number of above-mentioned aspects in relation to the country image, which is an underlying assumption for the halo effect. Therefore, this certain evidence may serve as a cue for further studies on Russian consumer culture, to obtain diverse and more complex findings. The concept of this research is not limited in scope and can be further applied in any industry or business cluster. Besides, the framework could be particularly interesting not only in mass consumption, but also in a luxury industry or premium product or brand segments, where buying culture is different from an average consumer. Hence, if this assumption is considered in future research, it may deliver different results.

The research helps to identify the system of relationships that could explain the consumers’ subjective orientation towards pseudo-local FMCG brands. As not all the hypothesised paths are supported by the data, the significant relationships on consumers’ attitudes are identified. Indeed, the halo effect from pseudo-local FMCG brands may be predicted by age, which could be explained by the greater extent of brand preference among older consumers, which is a consequence of a greater number and frequency of a grocery shopping experience. Besides, the halo effect positively influences the degree of misidentification of FMCG brands by country of origin, which may stand for lack of awareness on marketing manipulation and strategic approach to growing sales by an elaborated adaptation to various localities.

In fact, attitudes are a controversial phenomenon in nature. Attitudes can be positive in some aspects (Russian products are GMO-free) and negative in others (Japanese and German cars are better than domestic). Finally, the obtained findings are rather in-
teresting: Russian consumers think that the local economy is experiencing a downward trend, they still purchase the locally produced goods under the well-known names. Besides, these names always have positive connotations, such as “kind”, “family”, etc.

REFERENCES


Consumer behavior towards Russian brands of foreign FMCG companies

1212.


Radeke M., Stahelski A. 2020. Altering age and gender stereotypes by creating the Halo and Horn effects with facial expressions. *Humanities and Social Sciences Communications* 7: 14.


Initial Submission: March 11, 2022
Final Version Accepted: January 20, 2023
Поведение потребителей в отношении российских брендов иностранных компаний FMCG

В. В. Назарова, И. Ю. Чуракова, Б. Н. Курилов, Д. Д. Титова

Санкт-Петербургская школа экономики и менеджмента, Национальный исследовательский университет «Высшая школа экономики», Россия

Цель исследования: изучение существующих теоретических концепций, которые могут объяснить поведенческую реакцию потребителей в отношении различных кросс-категорийных брендов (быстро оборачиваемых потребительских товаров), составляющих портфели брендов международных корпораций FMCG. Эти понятия включают эффекты ореола, страны происхождения.

Методология исследования: в работе построена эконометрическая модель, позволяющая установить, какие факторы определяют выбор потребителей. Данные исследования собраны посредством структурированных онлайн-интервью с потребителями товаров повседневного спроса, проанализированы и интерпретированы с помощью статистического метода моделирования структурных уравнений. Результаты исследования: исследование показывает, что российский потребитель испытывает эффект ореола от псевдоместных брендов FMCG. Кроме того, продемонстрировано, что это когнитивное искажение положительно связано с возрастом потребителей. Значит, пожилые потребители больше подвергаются воздействию эффекта ореола. На неправильную идентификацию брендов FMCG по стране происхождения напрямую влияет возникновение эффекта ореола среди отечественных потребителей.

Оригинальность и вклад авторов: исследование помогает выявить систему отношений, которая могла бы объяснить субъективную ориентацию потребителей на псевдолокальные бренды FMCG.

Ключевые слова: товары повседневного спроса, эффект ореола, псевдолокальные бренды, предубеждение «иностранное — местное», эффект страны происхождения.


Статья поступила в редакцию 11 марта 2022 г.
Принята к публикации 20 января 2023 г.