

St Petersburg State University
Graduate School of Management

Master in Management Program

INVESTIGATION OF THE EXIT STRATEGIES OF INTERNATIONAL BRANDS FROM
RUSSIAN MARKET BASED ON CONSUMERS' BRAND PERCEPTION

Master's Thesis by the 2nd year student
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Concentration – Management

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ЗАЯВЛЕНИЕ О САМОСТОЯТЕЛЬНОМ ХАРАКТЕРЕ ВЫПОЛНЕНИЯ ВЫПУСКНОЙ КВАЛИФИКАЦИОННОЙ РАБОТЫ

Я, Мерика Санта, студент второго курса магистратуры направления «Менеджмент», заявляю, что в моей магистерской диссертации на тему «Исследование стратегий ухода международных брендов с российского рынка на основе восприятия потребителями брендов», представленной в службу обеспечения программ магистратуры для последующей передачи в государственную аттестационную комиссию для публичной защиты, не содержится элементов плагиата. Все прямые заимствования из печатных и электронных источников, а также из защищенных ранее выпускных квалификационных работ, кандидатских и докторских диссертаций имеют соответствующие ссылки. Мне известно содержание п. 9.7.1 Правил обучения по основным образовательным программам высшего и среднего профессионального образования в СПбГУ о том, что «ВКР выполняется индивидуально каждым студентом под руководством назначенного ему научного руководителя», и п. 51 Устава федерального государственного бюджетного образовательного учреждения высшего профессионального образования «Санкт-Петербургский государственный университет» о том, что «студент подлежит отчислению из Санкт-Петербургского университета за представление курсовой или выпускной квалификационной работы, выполненной другим лицом (лицами)».



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OF THE MASTER THESIS

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АННОТАЦИЯ

| | |
|---|---|
| Автор | Санта Мерика |
| Название ВКР | Исследование стратегий ухода международных брендов с российского рынка на основе восприятия потребителями брендов |
| Направление подготовки | Менеджмент |
| Год | 2023 |
| Научный руководитель | Мария Михайловна Смирнова |
| Описание цели, задач и основных результатов | <p>Целью данного исследования является расширение существующего набора стратегий выхода международных брендов с российского рынка путем изучения различных примеров компаний, которые уже успешно спланировали и реализовали свои стратегии выхода.</p> <p>Задачи исследования: 1) Провести всесторонний анализ стратегий международных брендов для выхода с российского рынка с целью идентификации и расширения существующего набора стратегий. 2) Изучить различные стратегии выхода с российского рынка, которые наиболее положительно воспринимаются потребителями. 3) Изучить несколько примеров компаний, которые уже реализовали стратегию выхода с российского рынка. Это позволит получить ценные инсайты о проблемах и возможностях, связанных с такими стратегиями. 4) Провести тщательное исследование и анализ российского рынка с целью получить всестороннее понимание его уникальных особенностей и динамики. 5) Оценить влияние этих изменений на потребителей, изучить изменения в их покупательных привычках и проанализировать факторы, влияющие на их принятие решений.</p> <p>В ходе исследования был составлен список из 9 основных стратегий, которые применяют международные компании при уходе с российского рынка, а также выявлены наиболее лучшие стратегии со стороны компаний и потребителей.</p> |
| Ключевые слова | Стратегии выхода с российского рынка, восприятие потребителями брендов, лояльность потребителей, имидж бренда |

ABSTRACT

| | |
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| Master's Student Name | Santa Merika |
| Master Thesis Title | Investigation of the Exit Strategies of International Brands from Russian Market Based on Consumers' Brand Perception |
| Main Field of Study | Management |
| Year | 2023 |
| Academic Advisor's Name | Mariya M. Smirnova |
| Description of the goal, tasks and main results | <p>The aim of this research is to expand the existing set of exit strategies employed by international brands from the Russian market through the study of various examples of companies that have already successfully planned and implemented their exit strategies.</p> <p>The research tasks are as follows: 1) Conduct a comprehensive analysis of exit strategies used by international brands in order to identify and expand upon the existing set of strategies. 2) Explore different exit strategies from the Russian market that are perceived most positively by consumers. 3) Study several examples of companies that have already implemented an exit strategy from the Russian market. This will provide valuable insights into the challenges and opportunities associated with such strategies. 4) Conduct thorough research and analysis of the Russian market to gain a comprehensive understanding of its unique characteristics and dynamics. 5) Assess the impact of these changes on consumers, examine changes in their purchasing habits, and analyze the factors influencing their decision-making.</p> <p>During the research, a list of nine main strategies applied by international companies when exiting the Russian market was compiled, and the most effective strategies from both the perspective of companies and consumers were identified.</p> |
| Key words | Exit strategies from the Russian market, consumer perception of brands, consumer loyalty, brand image. |

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INTRODUCTION

In the aftermath of the conflict between Russia and Ukraine on February 24, 2022, several international brands made the decision to either partially suspend their operations or completely withdraw from the Russian market. Each decision was taken independently by the companies and was based on various factors such as environmental, social or governance (Basnet, Blomkvist, & Galariotis, 2022). The Russian market is studied in the context of international business and is attractive to international companies because of its large and developing market, economy, strategic location and many other factors.

A large number of companies have stopped their operation on the Russian market because of the risk of sanctions. Sanctions are a common instrument of government policy (Meyer, Fang, Panibratov, Peng, & Gaur, 2022). Since the start of the conflict between Russia and Ukraine, geopolitical tensions have steadily escalated, resulting in a growing number of countries intervening and imposing restrictions on the activities of international businesses in Russia. These restrictions have created challenges and complexities for worldwide companies in Russia. (Meyer & Li, 2022).

The decision of international brands to withdraw from the Russian market has hit all sectors and brought consequences for both companies and buyers and the market as a whole. The conditions that have developed in the Russian market have created an unprecedented context for the study of this issue. Scholars from various regions of the world are currently investigating this phenomenon, seeking to identify the underlying causes and contributing factors that have led to the withdrawal of international brands from the Russian market. In the study of Sonnenfeld, Tian, Zaslavsky, Bhansali and Vakil (2022) they identified and classified 5 different exit strategies from the Russian market followed by international brands (withdrawal, suspension, scaling back, buying time and digging in). Many companies have already exited the market, in very different ways, while others have not yet made a decision and are looking at the experiences of their competitors.

The objective of my research is to investigate various exit strategies from the Russian market and their impact on consumer perception of international brands. This is an important question because the decision to choose different exit strategies from the Russian market was made and implemented by many companies in 2022, and now we have the opportunity to analyze how the perception of these brands has changed among people after brands' exit from the Russian market. My research will help other international companies that have suspended their operations make the most favorable decision regarding their exit strategy, and it will also allow them to understand how challenging it will be for companies intending to return to the market, even under a different name. If consumers have negatively perceived the brand's exit, it will be extremely

difficult for it to re-enter the market because the consumers' attitude has changed, and they will not wish to further engage with that brand.

To achieve this aim, I set several tasks:

1. Perform a comprehensive analysis of international brands' strategies for exiting the Russian market, aiming to identify and expand upon the existing set of strategies employed.
2. Examine various strategies for exiting the Russian market that are perceived most positively by consumers.
3. Examine a range of case studies involving companies that have already implemented an exit strategy from the Russian market. This will provide valuable insights into the challenges and opportunities associated with such strategies.
4. Conduct a thorough investigation and analysis of the Russian market, in order to gain a comprehensive understanding of its unique characteristics and dynamics.
5. Assess the impact of these changes on consumers, examining shifts in their buying habits and analyzing the factors that have influenced their decision-making.

In this study, my objective is to expand upon the existing set of strategies for the withdrawal of international brands from the Russian market, drawing insights from a variety of case studies involving companies that have already successfully planned and implemented their own exit strategies. By analyzing these cases, I aim to identify all the exit strategies that can be added to the existing set. By taking a multifaceted approach to my analysis, I aim to provide a comprehensive evaluation of each strategy's strengths and weaknesses, as well as its potential implications for market, consumers, and companies.

There are varying classifications of exit strategies from different sources, and currently, there is no universal concept for classifying all possible entry strategies for companies operating in the Russian market. Therefore, this paper suggests an expansion of the existing list of exit strategies and a more systematic approach to categorizing the primary strategies used by global brands to exit the Russian market. To accomplish this, the study will analyze and evaluate the existing strategies and the factors that influenced companies' decisions to withdraw from the Russian market.

CHAPTER 1. EXIT STRATEGIES OF INTERNATIONAL BRANDS

1.1.Reasons for exit the international market

When a company decides to exit the market, it's often the result of a complex set of factors. Complete withdrawal can be a difficult and expensive process. Reasons for leaving the market can generally be categorized as either internal or external factors. Internal reasons are those that originate within the company itself and may include financial difficulties, strategic missteps, or a shift in management priorities.

External factors are typically outside of the company's control, such as changes in the competitive landscape, economic downturns, or shifts in consumer behavior. Regardless of the specific reasons, leaving the market is a significant decision that can have lasting consequences for the company and its stakeholders.

Internal reasons for a company to leave the market can be diverse, including poor financial performance, change in strategic direction, internal problems, loss of reputation, failed product launch.

Poor financial performance: When a company experiences a prolonged period of declining revenues and fails to generate returns for investors, it may need to consider exiting the market altogether.

Change in strategic direction: If an enterprise decides to shift its strategy or positioning, it may no longer see a viable future in the current market and decide to leave.

Internal problems: Ineffective management, poorly designed business processes, and issues with the organizational structure can all impact a company's ability to compete in the market.

Loss of reputation: Negative publicity or a loss of consumer trust can lead to a decrease in revenue and market share, making it difficult for a company to continue operating profitably.

Failed product launch: If a company misjudges the market or launches a product that fails to resonate with consumers, it may be unable to achieve sustainable success in that market (Ozkan, 2020; Angeloni, Faia, & Winkler, 2014).

When it comes to startups or mid-sized companies that are recognized in their local market but not beyond, they can face these challenges. On the other hand, it is puzzling when well-established, internationally recognized brands decide to leave the global market. Doing so risks losing out on valuable contracts, marketing investments, and research opportunities. In these cases, external factors may be at play, such as political instability, economic environment, changes in regulations and laws, natural disasters, pandemics and other diseases (Angeloni, Faia, & Winkler, 2014; Misra, 2022).

Political instability is a significant factor that can affect a company's operations. It can result from changes in public policy, conflicts between countries, or sanctions. Such instability can lead to uncertainty and unpredictability in business operations, and companies may face difficulties in planning for the future.

Economic environment is another crucial factor that can impact a company's profitability. Economic downturns, currency fluctuations, and changes in trade agreements can lead to a loss of profitability for the company, making it challenging to maintain company's operations.

Changes in regulations and laws can significantly affect a company's revenue and cost structure. Regulations that restrict the use of raw materials or increase taxes can increase a company's costs, while laws that reduce demand for a company's products can lower its revenues. Such changes can even lead to bankruptcy if the company is unable to adapt to the new conditions.

Natural disasters are unpredictable events that can cause significant damage to a company's operations. Companies may face severe financial losses due to the need for repairs and rebuilding.

Pandemics and other diseases can lead to a complete shutdown of a company's operations, resulting in problems in supply chains, financial losses, and a reduction in operations. The pandemic has highlighted the importance of having a resilient business model that can adapt to sudden changes in demand and supply. Companies need to have contingency plans in place to mitigate the impact of such events on their operations.

The conflict between Russia and Ukraine has led to the imposition of sanctions on Russia by the European Union and the United States, making it one of the most sanctioned countries in 2023 (Demertzis, Hilgenstock, McWilliams, Ribakova, & Tagliapietra, 2022). These sanctions are an external factor. They have significantly affected Russia's economic sphere, as it has been cut off from international SWIFT transfers, its assets have been frozen, and it has lost access to the world currencies, including the euro and the dollar (Markus, 2022). Although Russia has managed to find ways to mitigate the impact of the sanctions, the country's economic activity is likely to experience a slowdown (Boddewyn, 1979; Wang & Larimo, 2020). The sanctions have had far-reaching effects on the country, causing a decline in foreign investment, reduced access to global markets, and a decrease in consumer and business confidence.

While formal sanctions were imposed on certain companies, informal pressure was also exerted on others to exit the Russian market (Markus, 2022). Although companies often enter and exit international markets, the conflict between Russia and Ukraine led to a mass exit of global brands. Some companies chose to impose self-sanctions against Russia (Demertzis, Hilgenstock, McWilliams, Ribakova, & Tagliapietra, 2022). The increasing uncertainty and unexpected changes in international markets have made risk management critical for firms. As a result, unexpected changes often lead to the decision to exit the market. Companies are affected

differently by various factors, such as age, size, organizational capabilities, strategic choices, and poor performance (Sousa & Tan, 2015; Wang & Larimo, 2020).

Although all international companies in Russia made their own decisions, many faced a range of challenges, including reduced technology transfer, disruptions in supply chains, and loss of valuable workforce. These challenges have serious implications for Russia's global competitiveness. Emerging sectors such as e-commerce, manufacturing, and streaming services may suffer from the lack of foreign technology and may have to continue their operations with domestic production. Import substitution may not be a viable option for Russia to revive its economy. The country will face significant difficulties in achieving economic growth and development. Rather, Russia may need to focus on creating favorable conditions for domestic businesses to thrive, improving access to capital and technology, and promoting innovation and entrepreneurship. This will require significant investment and policy reforms to create a supportive environment for businesses to succeed.

Iran is another example of a heavily sanctioned country, with sanctions being introduced since the 1980s. As a result of these sanctions, the country has experienced a growing trend of domestic manufacturing. However, many of these domestic products are imitations of world brands and lack innovative solutions that could contribute to solving the country's economic problems (Markus, 2022).

1.2. Exit Strategies

In times of crisis, pandemics, political events, or conflicts between countries, exiting international markets becomes a critical consideration for many companies. Ozkan (2020) conducted a study examining various companies that made the decision to exit markets in different countries and periods, using cross-sectional data. The companies studied include well-known brands such as Peugeot in India (1997), McDonald's in Bolivia (2002), eBay in Japan (2002), Carrefour in South Korea (2006), Aldi in Greece (2010), Best Buy in Turkey (2011), New Look in Russia (2014), UBER in China (2016), and Suzuki in China (2018), among others.

According to Ozkan (2022), any company operating in any country may make the decision to leave a market they have been striving to enter for years. This decision may be driven by poor organizational strategies for international market survival or external circumstances. There are many reasons why companies decide to exit a market, including divestment, failure, full exit, subsidiary survival, and others. The authors base their research on contingency theory, which posits that the most effective organizational strategies are those that are contingent upon specific internal and external factors (Fiol & Lyles, 1985). However, it should be noted that this theory

may not fully apply to the case of the Russian market, where many companies have left due to other reasons.

Exiting the Russian market, which is large and profitable, has been a difficult decision for many companies. However, due to pressure from the EU and the US imposing sanctions, these companies were forced to halt their operations in the Russian market. As a result, many scholars have begun studying this phenomenon, compiling lists of companies that have operated in Russia and analyzing their decisions to leave or remain in the market.

Making the decision to exit a market is a complex process that is unique to each firm and is primarily based on its financial indicators and forecasts. It can be challenging to study exit strategies as they are often specific to the situation and the company involved. As such, there is limited research available on the topic in modern sources (Peters, 2009).

However, in the context of the Russian market, several studies have identified at least three different exit strategies employed by international companies:

Full Exit: This strategy involves completely withdrawing from the market and ending all operations in the country. This decision is usually made due to a combination of financial, legal, and political factors.

Continue Operations: Companies may choose to continue operating in the market despite the challenges they face. This decision is often driven by a long-term perspective and an expectation that the market will improve in the future.

Suspension: Some companies may choose to suspend their operations temporarily and reassess their position in the market at a later time. This decision is typically made when companies face significant uncertainty about the future of the market (DeTienne, McKelvie, & Chandler, 2015).

However, researchers have identified at least 5 additional exit strategies based on individual case studies (table 1).

| | | |
|---|---|---|
| Sonnenfeld, Tian, Zaslavsky, Bhansali, Vakil (2022) | Morohin (2022) | Berninger, Kiesel, & Kolaric (2022) |
| Strategy: Full exit. Sub strategy: Clean Break. Companies that have completely withdrawn from the Russian market and ceased all their operations. | Strategy: Full exit. Sub strategy: Withdrawal. This strategy involves the complete cessation of business operations and exit from the market, typically | Strategy: Full exit. Sub strategy: Withdrawal. |

| | | |
|---|---|---|
| | achieved through selling or transferring its assets. | |
| <p>Strategy: Suspension.</p> <p>Sub strategy: Suspension.</p> <p>Companies that choose this strategy have temporarily suspended their activities in the market but have the option to return and resume operations in the future.</p> | <p>Strategy: Suspension.</p> <p>Sub strategy: Leave with the option to come back.</p> <p>This exit strategy involves companies selling their assets and leaving the market, but also agreeing to a repurchase option within a specified time frame. This allows them to potentially return to the market in the future.</p> | <p>Strategy: Suspension.</p> <p>Sub strategy: Suspension.</p> |
| <p>Strategy: Continue operations</p> <p>Sub strategy: Scaling Back.</p> <p>Companies that implement this strategy continue to operate in the Russian market, but have chosen to stop certain business processes.</p> | <p>Strategy: Continue operations</p> <p>Sub strategy: Stay unwillingly.</p> <p>This exit strategy involves companies that want to leave the market but are unable to do so due to various legal, organizational, or financial constraints. They continue to operate in the market against their will.</p> | <p>Strategy: Continue operations.</p> <p>Sub strategy: Scaling Back.</p> |
| <p>Strategy: Continue operations</p> <p>Sub strategy: Holding Off new investments / development.</p> <p>Companies employing this strategy continue to operate in the Russian market, but have suspended further</p> | <p>Strategy: Continue operations</p> <p>Sub strategy: Leave, but not now</p> <p>The Russian market is a strategic market that generates significant income for many companies.</p> | <p>Strategy: Continue operations.</p> <p>Sub strategy: Pausing Investments.</p> |

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| investment and development for the future. Despite this, they remain optimistic and are looking forward to positive developments in the future. | | |
| Strategy: Continue operations Sub strategy: Continue operations as usual. This strategy includes companies that have chosen to ignore the requirements to exit the market. | Strategy: Continue operations Sub strategy: Nothing to promise We are specifically referring to energy companies that cannot sell their assets, as it is crucial for them to maintain control of these assets in order to continue supplying energy to Europe. | Strategy: Continue operations. Sub strategy: Continue operations. |
| - | - | Strategy: Full exit. Sub strategy: Exit completed This exit strategy involves a company selling its business or assets, or a portion thereof, to a local partner and subsequently exiting the market. |

Table 1. Investigation of the Exit Strategies of International Brands from Russian Market Based on Consumers' Brand Perception.

Source: compiled by the author

Every company chooses a unique strategy based on various factors, including its size, sector, market tenure, number of employees, business strategy, buyer sentiment, research and promotion costs, preparedness for an exit strategy, ability to organize supply and production, and more. Based on these factors, it is necessary to expand the list of exit strategies. Existing research shows that large companies face greater challenges when leaving the Russian market. For instance, Morohin (2022) highlights a distinct group of energy and oil companies that are unable to sell their assets and must continue operating despite their intention to exit the market. Therefore, it is

essential to conduct further research and develop metrics that can help companies choose the appropriate exit strategy.

1.3. Classification of exit strategies from the Russian market

In this section, we explored various cases of companies and expanded the list of strategies available for exiting the Russian market while considering the potential consequences for these companies. We began with three primary strategies: stay, partially exit, and completely exit, which were then analyzed in greater detail, taking into account the specific factors that could influence a company's decision to exit the Russian market.

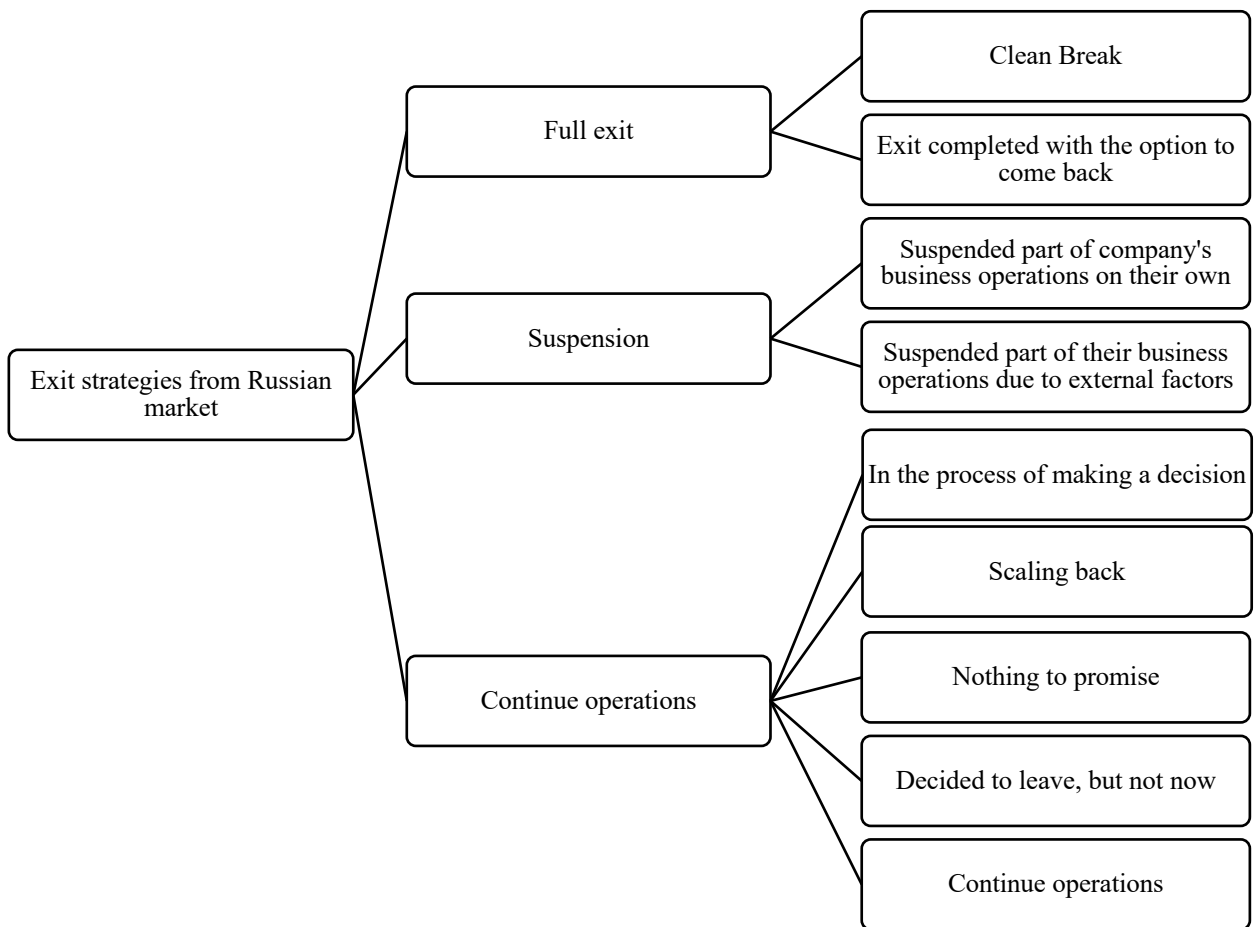


Figure 1. International brand's exit strategies from the Russian market.

Source: compiled by the author

The diagram illustrates various exit strategies that can be employed in the Russian market, which can be broadly categorized into three main groups: full exit, suspension, and continuing operations. Additionally, each of these groups can be further subdivided into 3-4 subgroups based on different factors, including company size, scope, desires, and available opportunities.

1) Group: Full exit.

Subgroup: Clean Break

This group comprises companies that have completely withdrawn from the market and severed all their ties with Russia. Typically, these companies were among the first to decide to leave the market, and a year later, they can already demonstrate the results of their departure from the Russian market. However, the process of exiting the market is neither quick nor easy, as it involves stopping numerous business processes and making decisions on how to deal with available resources. Many companies opt to sell their assets to local investors as part of their exit strategy. By doing so, they have implemented self-imposed sanctions on Russia, which are intended to have a detrimental impact on the country's economy.

Company example: In March of last year, Ikea was among the first companies to temporarily suspend operations. The well-being of their employees was a top priority for the company, leading them to guarantee a salary and benefits for six months. However, due to the impact on supply chains, the company faced difficulties in resuming its activities and made the difficult decision to exit the market. Despite the decision to leave, implementing the exit proved to be a complex process, with complications arising from the need to conduct deals with firms from unfriendly countries. It took a year for the Russian government commission to approve the sale of three Ikea factories, and the terms of the deal are currently being worked out (Ikea, 2022).

Consequences for the company:

- a) The company cannot resume operations under the same brand.
- b) Decreased market share: The company's exit from the market allows its competitors to gain a larger share of the market.
- c) Financial losses: The company may suffer financial losses, including losses in research and development, marketing expenses, and capital investments.
- d) Industry consolidation: The departure of a major player from the market may result in industry consolidation.
- e) Regulatory hurdles for future re-entry: Exiting the market may have regulatory implications that could make it difficult for the company to re-enter the market in the future.
- f) Barriers to future re-entry: If a similar company offering the same products or services already exists in the market, it may be challenging for the company to re-enter the Russian market in the future.
- g) Decline in brand awareness and customer loyalty: Leaving the market may cause a decline in the company's brand recognition and customer loyalty.

2) Group: Full exit.

Subgroup: Exit completed with the option to come back.

The decision for transnational companies to maintain their presence in the Russian market has become increasingly complex, with unprecedented and far-reaching implications. As such, each company has approached the issue from various angles, considering factors such as brand perception, state and legal regulations, and loyal customer base. Although some companies have ultimately decided to exit the market completely, others have chosen a different approach, retaining the right to return within a specified timeframe. Many of these companies have had a longstanding presence in the Russian market and have become deeply integrated into the country's economic landscape. Despite this, leaving the Russian market may be the best solution for ensuring sustainable brand development and enabling seamless operations in other markets. Despite the decision to leave the Russian market, these companies are still hoping for a favorable environment where sanctions will not pose a threat to their business operations. To ensure they can potentially re-enter the market in the future, some companies have chosen to retain the option of buying back their positions for a certain period of time.

Company example: McDonald has recently sold its assets in Russia to a local licensee, with an option to repurchase its restaurants within the next 15 years. Despite this move, the company has emphasized that it will still retain its trademarks in the country. (Reuters, 2022). After over 30 years of operating in Russia with an income of 2,300 million USD, 62,000 employees, and 850 cafes and restaurants, McDonald's faced one of its most difficult decisions when it chose to leave the Russian market. For the first time in its history, McDonald's withdrew completely from a market, leaving behind no cafes or restaurants bearing the company's name or menu. The decision was challenging to make and execute, given the scale of the business and the challenges associated with operating in Russia. (Kempczinski, 2022). The new owner, Alexander Govor, attempted to rebrand the cafes and restaurants he had acquired from McDonald's, but the new name "Vkusno i tochka!" failed to resonate with the public. The brand's massive marketing budget ensured that everyone knew "Vkusno i tochka!". However, loyal McDonald's customers were reluctant to accept the new establishment, while others eagerly embraced "Vkusno i tochka!" (Ganzhur, 2023).

In the next chapter, I'm going to look at how successful the chosen strategy was based on assessing consumer perception of brands based on what they know about brand exit.

Consequences for the company:

- a) The company has lost its loyal customers.
- b) The brand's popularity in the Russian market is expected to decrease, which could create hurdles for its future re-entry into the market.

- c) Withdrawing from a market where the company has established a long-standing presence is a complex and costly process.
- d) The company's capacity to re-enter the market within a specified timeframe is uncertain.

3) Group: Suspension

Subgroup: Suspended part of the company's business operations on their own

Some companies have made the voluntary decision to limit or suspend their business operations in support of Ukraine and to help put an end to the ongoing conflict.

Company example: Meta, formerly known as Facebook, has recently implemented self-imposed sanctions in the Russian market, leading to the suspension of its operations there. This decision has affected local residents and businesses, as the platform was widely used for commercial purposes, such as setting up targeted ads. As a result of the suspension, it is currently not possible to set up advertising in personal accounts, making it difficult for new players to enter the market and for existing players to distribute ads. Furthermore, Meta has limited the use of its social networking services, such as Facebook and Instagram, for all users in Russia. Exiting the Russian market completely is not a straightforward option for Meta, given that the company operates in the IT sector and can both limit its activities and resume them. However, the situation is complicated by the actions of Roskomnadzor, which has blocked Instagram and Facebook. While resuming Meta's operations in the Russian market is theoretically possible, it may take a considerable amount of time given the current circumstances (Bilyk, 2022).

Consequences for the company:

- a) They lose control over their product in the Russian market.
- b) A prolonged period of recovery is expected.
- c) The company has suffered the loss of key customers.

4) Group: Suspension

Subgroup: Suspended part of their operations due to external factors

This group consists of companies that have been compelled to modify or halt some of their business processes in response to sanctions that have been imposed on international transportation or restrictions on importing certain goods.

Company example: L'Oréal, the renowned French personal care company, has recently closed its stores in Russia and halted its investments in the industry and media sectors in the country. Although L'Oréal could have continued its operations in the market, the company was compelled to cease its activities due to the EU and US sanctions. However, it is important to note that L'Oréal has not yet made a definitive decision to withdraw from the market altogether (Afanasieva & Sirtori-Cortina, 2023).

Consequences for the company:

- a) By continuing to operate in the Russian market, they are at risk of facing sanctions.
 - b) Suspending their operations may make it challenging for them to resume activities in the future.
 - c) Resources that are not being utilized.
 - d) Decrease in profits due to the suspension of sales.
 - e) Need for a revised strategy for future actions.
- 5) Group: Continue operations

Subgroup: In the process of making decision

These companies are currently deliberating on their future course of action in the Russian market. While they weigh their options, they are closely monitoring the strategies adopted by their competitors to determine the most suitable approach for themselves. As of now, they have not reached a decision, and are continuing to operate in the Russian market.

Company example: Mars has a long-standing presence in the Russian market, spanning over three decades. With the ongoing conflict between Russia and Ukraine causing a humanitarian crisis, the company has decided to shift its focus to its core services in Russia, which is providing food for both people and pets. Moreover, the company plans to utilize any profits from its business in Russia for humanitarian aid purposes. Although no concrete decision has been made, Mars has already announced its intention to halt all investments and social media activities in Russia and Belarus (Mars, 2022).

Consequences for the company:

- a) have to make quick decisions if the situation changes.
 - b) Possible sanctions will be imposed on the company.
 - c) Loss of profit.
- 6) Group: Continue operations

Subgroup: Scaling Back.

This strategy involves companies temporarily halting production and sales of their main brand to avoid any negative impact, while still operating in the market by creating and promoting local brands that were already present before the Russia-Ukraine conflict. By focusing on developing these local brands that are exclusive to the Russian market, companies can maintain a strong presence and continue to serve their customers while minimizing potential risks to their main brand.

Company example: Despite the ongoing geopolitical crisis in the Russian market, the Coca-Cola Company has taken significant steps to adapt and maintain a presence in the region. While production associated with the Coca-Cola brand has been suspended in Russia, the company

has continued to operate by launching new products under local brands such as "Dobry Cola," "Rich," and "Moya Semya". Moreover, the company has recently restructured its business operations in Russia by opening a small division named Multon Partners. This new division will focus on producing and selling local brands like "Dobriy" and "Moya Semya" Additionally, Multon Partners aims to develop a new marketing strategy to regain a strong market position and explore opportunities for expanding these local brands. By taking these measures, Coca-Cola has adjusted its operations to minimize potential risks and ensure the longevity of its business in the region (Bogdanovic, 2022).

Consequences for the company:

- a) The company has shifted its focus towards developing local brands, potentially leading to a decrease in awareness and popularity of its main brand among local consumers.
- b) The company has experienced a reduction in the scale of its main production, which may have a significant impact on its overall operations.
- c) As a result of the changes in production and focus on local brands, the company may have had to implement job cuts.

7) Group: Continue operations

Subgroup: Nothing to promise

This particular subgroup of exit strategies comprises companies that are not only committed to maintaining their operations in the Russian market but are also unafraid of potential sanctions. These companies feel at ease conducting business in Russia and have no plans of exiting the market.

Company example: Auchan, a French retailer that has been present in the Russian market for a long time, has been operating amid the ongoing conflict between Russia and Ukraine without making any official statements. Despite this, the company has set its sights on expanding its presence in Russia, with plans to register a new trademark "Rodnoy, I vse tut" and increase production of its own brand in the country. It's also possible that Auchan may undergo a full rebranding in the near future.

Consequences for the company:

- a) The company has been embroiled in a scandal as it was found to be supporting Russia during the ongoing conflict, leading to its inclusion in the list of international sponsors of the conflict.
- b) The company's actions following the start of the conflict have resulted in a decrease in brand loyalty among its customers.

8) Group: Continue operations

Subgroup: Decided to leave, but not now

This category comprises of businesses that desire to exit the market, but are hindered by a multitude of factors.

Company example: Heineken made an early decision to exit the Russian market, but discovered it was not a simple task. They recognized early on that they would not profit from selling or transferring ownership of their business, as they searched for a buyer. Their intention is to divest all of their Russian divisions, but as of now, this objective has not been realized.

Consequences for the company:

- a) It is impossible to generate a profit until a clear strategy is established.
 - b) The process of selling a business can be lengthy.
 - c) Production costs are a crucial factor to consider.
- 9) Group: Continue operations.

Subgroup: Continue operations.

Despite facing sanctions, the companies have chosen to continue operating in the Russian market.

Company example: Emirates is a major global airline, and even when world restricted flights to Russia, the United Arab Emirates (UAE) announced that they would continue their flights to Russia.

Consequences for the company:

- a) the loss of some loyal customers, because the company did not react to the conflict between Russia and Ukraine in any way

1.4.Brand Capital

The concept of brand capital was first defined by Griliches (1979), who explained that it is an intangible asset that combines consumer awareness of products and/or services provided by the company. Farquhar (1989) further described brand capital as the added value to a brand's product. Over time, researchers such as Mahajan, Rao, and Srivastava (1994) and Keller (1993) approached brand equity from three different perspectives: financial valuation, company, and consumer. Wood (2000) suggested that brands should be managed as valuable long-term corporate assets and identified three components of brand capital: brand value, brand strength, and brand description. By considering these components, companies can develop effective brand strategies that enhance their brand equity and drive business growth.

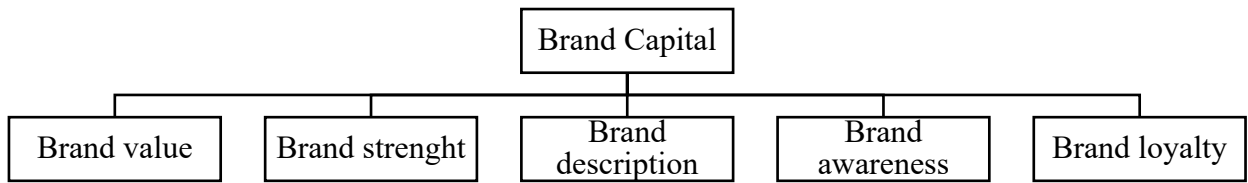


Figure 2. Components of brand Capital.

Source: compiled by the author

Brand value refers to the perception and behavior of consumers towards a brand, which influence demand and pricing of the products or services associated with it. It is also considered from a financial perspective, representing the overall value of the brand (Crimmins, 1992). Research has shown that strong brands have a positive impact on a company's ability to generate profits. Strong brands can also mitigate the impact of market fluctuations and economic uncertainties, as consumers are more likely to remain loyal to trusted brands during difficult times (Belo, Lin & Vitorino, 2014). By cultivating brand value, companies can build long-term success and sustainable growth in their respective markets.

Brand strength is a measure of how well-known a brand is to customers and how loyal they are to it (He & Calder, 2020). When customers continue to purchase a brand's products despite the presence of worthy competitors offering lower prices, it reflects brand awareness or loyalty (Belo, Lin & Vitorino, 2014). Building strong relationships with customers is crucial for a company's long-term success and stable income. Loyal customers tend to make more purchases from their favorite brands and are more likely to try new products from them. As such, brands often reward their loyal customers with bonuses such as discounts on loyalty cards. Companies with strong brand positioning can set their prices and do not need to lower them to retain customers (Sivakumar & Raj, 1997).

Brand description refers to the consumer's perceptions of a product. This concept encompasses several factors, including the consumer's associations with the brand, their experience as a buyer, and public approval of the brand (Feldwick, 1996). By understanding how consumers perceive their brand, companies can better position themselves in the market and make strategic decisions to enhance their brand equity.

Customers prefer to purchase from familiar brands because it reduces the risk of buying a low-quality product and saves time that would otherwise be spent searching for a suitable product in stores. As a result, satisfied customers are more likely to recommend the brand to friends and family, which can lead to further sales (Keller, 1993; Woodside & Trappey, 1992). By creating

strong brand equity, companies can build trust with their customers and establish a loyal customer base that can drive sustained revenue growth.

To evaluate brand capital, it is recommended to take into account both brand associations and brand awareness. Brand associations can be categorized into three main components: brand attributes such as packaging color, logo, and positioning; brand benefits that a consumer receives when purchasing a product; and brand attitude, which is determined by factors that influence the buyer's decision to choose this brand over others (Keller, 1993).

Brand loyalty refers to a customer's willingness to consistently choose and purchase products or services from a specific brand. It is based on a positive customer experience, which includes satisfaction with the product or service, as well as other factors such as brand image, reputation, and trust. Customers who are loyal to a brand are often willing to pay a premium price for its products or services and recommend it to others, leading to increased sales and revenue for the brand (DeTienne, McKelvie, & Chandler, 2015).

There are three different ways to assess brand equity: analyzing the company's financial statements (Feldwick, 1996), evaluating the company's market position (Simon, Sullivan, 1993), and conducting a consumer survey (Park, Srinivasan, 1994). Market indicators are useful for evaluating the market share, the level of distribution, and the Brand Development Index (BDI). On the other hand, analyzing financial indicators enables potential investors to assess the value of the Brand. A consumer survey is particularly useful for assessing brand equity from the consumer's perspective, measuring their awareness, trust, and influence on purchase decisions in different situations.

1.5.Brand Loyalty

Brand loyalty refers to the tendency of a customer or buyer to consistently trust and purchase products or services from a particular brand. While there are various definitions of brand loyalty, it is commonly understood as the act of making repeat purchases, either because the brand consistently satisfies the customer's needs or because the customer has developed a personal emotional connection to the brand (Mellens, Dekimpe, & Steenkamp, 1996; Tucker, 1964).

There is a perspective among some scholars that brand loyalty can be measured by the degree of a consumer's allegiance to a particular brand, while considering the possibility that the consumer may switch to a different brand, particularly if there are changes in the product or service price or other key factors. In this view, brand loyalty is not just about the frequency of repeat purchases or emotional attachment to a brand, but also takes into account the consumer's willingness to switch to an alternative brand. Factors such as pricing, quality, convenience, and

marketing campaigns can influence a consumer loyalty to a brand and may result in switching behavior (Knox & Walker, 2001; Nam, Ekinici, & Whyatt, 2011).

There are two main types of brand loyalty:

- 1) behavioral loyalty;
- 2) affective loyalty.

Behavioral loyalty is characterized by the repeated purchase of a product for a particular brand, but it may not necessarily indicate a strong emotional attachment to the brand. In this case, the consumer may only be interested in a single product from the brand and remain indifferent towards other products within the brand portfolio. As a result, such consumers may switch to a different brand without much hesitation or regret (Yim, 1999). The measurement of behavioral loyalty involves defining its components, which can be easily obtained from a consumer database. The key indicators of behavioral loyalty include increased and repeated purchases, consistent engagement with the company, and recommendations from satisfied consumers. Satisfaction is a complex indicator of affective loyalty, as it involves a consumer comparing their expectations of a product or service with the actual quality received. If a product or service exceeds expectations in terms of price and quality, consumers are more likely to purchase it and recommend it to others. Previous research indicates that satisfying consumers alone may not ensure their loyalty, especially if they have other options available. Genuine loyalty is developed only from those who are entirely content with the product or service (Bowen, 2001).

Affective loyalty is characterized by the positive emotions a consumer feels towards a specific brand, which results in a preference for purchasing that brand over others. This loyalty stems from emotional attachment and a strong sense of satisfaction derived from using the brand. Typically, consumers who exhibit affective loyalty have a tendency to remain loyal to the brand and may find it challenging to switch to alternative brands (García Gómez, Gutiérrez Arranz, & Gutiérrez Cillán, 2006).

Some scholars have described a mixed type of loyalty where consumers exhibit consistent purchasing behavior, driven satisfaction from the product, and demonstrate strong emotional attachment to the brand (Anjani, Irham, & Waluyati, 2018).

It's important to acknowledge that consumers may also hold a negative attitude towards a brand, which can result in what is referred to as "brand avoidance" - a deliberate decision to avoid or reject the brand (Li, Ji, & Jiang, 2013).

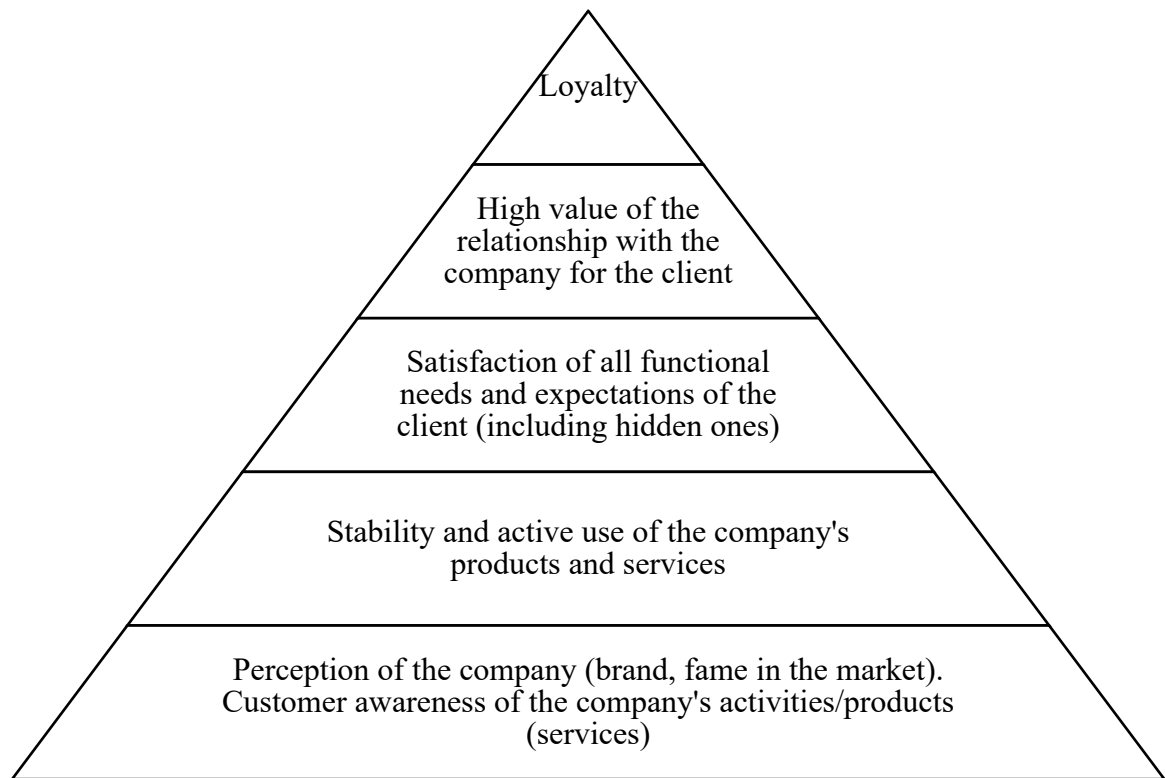


Figure 3. Loyalty Pyramid.

Source: compiled by the author

The first stage of building customer loyalty is establishing a positive image and perception of the company in the market. Advertising and brand awareness play a critical role in achieving this goal. If a well-known brand chooses to leave the market completely, it is likely to lose a significant number of its customers. However, if the company decides to partially withdraw from the market or rebrand, it may retain some of its loyal audience.

The second stage is when customers demonstrate behavioral loyalty by frequently consuming the company's products. To achieve this, the company needs to consider factors such as store locations and product availability in the market. If the company decides to exit the market completely, it will need to close all its stores. In contrast, if it chooses to rebrand or sell its assets, loyal customers may continue to buy its products, albeit with some limitations. However, rebranding can result in a change of audience, with some people liking the new branding and others not. When stores close, customer loyalty is likely to decrease since they won't have access to the company's products. Some companies have chosen to leave the physical market but continue selling their products online to maintain customer loyalty. This method allows them to retain their loyal customers while also attracting new ones.

The third stage of building customer loyalty is determined by emotional factors that influence consumer behavior. According to Grönroos (1990), loyalty is developed during the buyer's life cycle, which includes product familiarization, purchase, and consumption. Positive

experiences during the familiarization and purchase stages are crucial for building customer loyalty. When consumers like a product, they tend to buy only from that brand and value their relationship with the company.

However, if a brand exits the market, regular customers cannot remain loyal to it. Ultimately, customer loyalty depends on how well the brand communicates with them, the quality of their buying experience, and how well it meets their expectations. If a brand leaves the market, customers cannot continue to buy its products or use its services, and therefore, they won't have the opportunity to demonstrate loyalty to the brand.

But if a brand leaves the market due to a merger or acquisition by another company, customers may continue to use its products or services under a new brand. In this scenario, customer loyalty can be maintained but to a new brand that has acquired the products or services of the old brand.

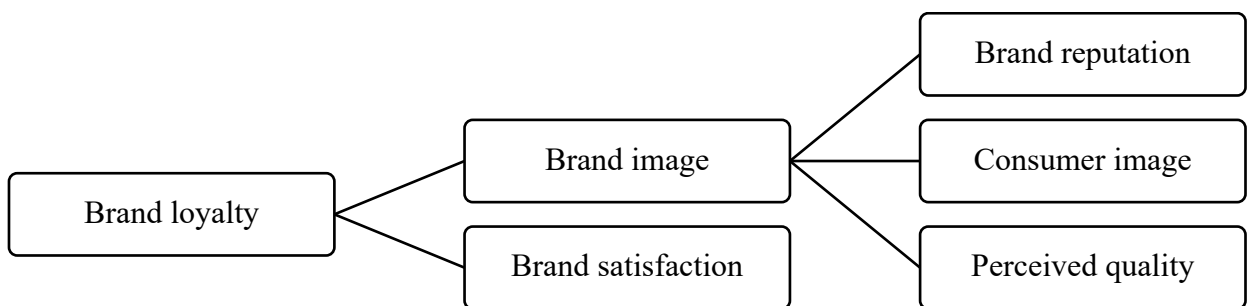


Figure 4. Components of brand Capital.

Source: compiled by the author

Brand loyalty is influenced by various factors, including brand image and brand satisfaction. The brand image is determined by the perception of the brand's behavior as a subject and its representation over time. It includes components such as brand reputation, which is how customers perceive the brand's ability to fulfill its obligations over time (Miller & Muir, 2004). The consumer's image is formed based on their behavior as a consumer and their choices of goods and services. One critical factor that affects brand loyalty is the perceived quality of a product or service. Consumers evaluate the quality based on their subjective impressions, sensations, and perceptions. They also consider factors such as reliability, durability, and ease of use. A positive experience with a brand's product or service can enhance brand satisfaction, leading to increased loyalty.

The relationship between brand image and customer loyalty is strong. When customers perceive a brand positively, there is a higher likelihood that they will be loyal to that brand. Additionally, customer satisfaction plays a crucial role in determining loyalty. However, even

satisfied customers may switch to competitors unexpectedly (Kim, Han, Park, 2001; Muhammad, 2012).

Following the sanctions and events of February 2022, many companies decided to exit the Russian market using various strategies, which were identified in this chapter and will be analyzed in the next chapter. It is likely that consumers have stopped being loyal to brands that have chosen a strategy of complete withdrawal, as there is no longer a brand-customer interaction. Nevertheless, some brands have opted for a partial exit strategy, where they sold their assets and retained the possibility of returning to the market at some point. For instance, McDonald's, which now operates as "Vkusno i tochka" is still perceived by many as McDonald's or its equivalent, and loyal customers may have continued to be loyal even after the rebranding. This makes it easier for the company to re-enter the market.

1.6. Conclusions for chapter 1

In Chapter 1, a theoretical analysis was conducted to investigate the phenomenon of mass exit of international brands from the Russian market. This analysis revealed various approaches to studying this issue, identified the primary reasons for exit, and expanded upon the existing exit strategies utilized by foreign brands. To illustrate these strategies and their potential outcomes, examples of various companies were analyzed. Additionally, the concepts of brand capital and brand loyalty were defined, and the connection between customer loyalty to the brand and exit strategies of international brands was explored. Overall, this chapter provides a comprehensive overview of the factors contributing to the mass exit of international brands from the Russian market and sheds light on the importance of brand loyalty in this context.

Firstly, this study examines the mass withdrawal of international brands from the Russian market, focusing on three approaches:

- 1) Analyzing the exit strategies of international brands from a financial perspective, including profit forecasts.
- 2) Examining the market attractiveness and opportunities for other companies after the departure of these international brands.
- 3) Evaluating the impact of the exit on consumer loyalty and the potential for the brands to return to the market.

This study adopts the third approach, which considers consumer loyalty and the effects of different exit strategies on it. By analyzing the changes in consumer loyalty for various brands that have left the Russian market using different strategies, this approach can provide valuable insights into the phenomenon.

Secondly, this study identifies the main reasons for the mass withdrawal of international brands from the Russian market:

1) External sanctions, such as restrictions on importing certain goods into Russia and logistics limitations, have pushed some international brands to leave the market.

2) Self-sanctions by companies also contribute to the withdrawal. Some companies have chosen to exit the Russian market to support Ukraine and weaken the Russian economy.

3) The possibility of being sanctioned by the European Union and the United States has also prompted some companies to leave. They have calculated that staying in Russia would cause more damage to their business than shutting down their operations in Russia.

By analyzing these reasons, we can gain a deeper understanding of the factors that have influenced the decision-making of international brands regarding their exit from the Russian market.

Thirdly, based on the analysis, the main exit strategies employed by international brands leaving the Russian market were identified. These strategies were further validated through examples of companies that have implemented them.

| Strategy | Sub strategy | Example (name of the company) |
|---------------------|---|--------------------------------------|
| Full exit | Clean Break | Ikea |
| Full exit | Exit completed with the option to come back | McDonalds |
| Suspension | Suspended part of company's business operations on their own | Meta |
| Suspension | Suspended part of their business operations due to external factors | L'Oréal |
| Continue operations | In the process of making a decision | Mars |
| Continue operations | Scaling back | Coca-Cola |
| Continue operations | Nothing to promise | Auchan |
| Continue operations | Decided to leave, but not now | Heineken |
| Continue operations | Continue operations | Emirates |

Table 2. International brand's exit strategies from the Russian market.

Source: compiled by the author

Fourthly, this study defines and clarifies the concepts of brand capital and brand loyalty and their relationship with the exit strategies of international brands from the Russian market.

Brand capital is an intangible asset that encompasses the reputation, trust, and recognition that a company's products or services have among consumers. It is a crucial element in building brand equity and creating a competitive advantage in the marketplace.

Brand loyalty, on the other hand, refers to the tendency of customers to repeatedly purchase products or services from a particular brand due to their trust and satisfaction with the brand. It is a measure of customer retention and loyalty and is an essential factor in maintaining and growing brand capital.

The application of different exit strategies by international brands can have varying effects on consumer loyalty to the brand. For instance, a gradual reduction of business operations might signal to consumers that the brand is losing interest in the market, and this could lead to a decline in loyalty. On the other hand, a complete withdrawal without any sale or handover of operations may create negative sentiments among consumers, leading to a decline in brand capital.

By analyzing the impact of these exit strategies on brand capital and brand loyalty, this study aims to provide insights into how companies can better manage their exit from the Russian market and minimize negative effects on their brand reputation and customer loyalty.

The findings of this study fill a crucial gap in the literature regarding the phenomenon of mass withdrawal of international brands from the Russian market. By identifying the main exit strategies employed by these brands and analyzing their impact on brand capital and loyalty, this study provides a valuable contribution to the field of marketing research.

The identified exit strategies provide a foundation for further research into this phenomenon. The results of this study can be used to develop a more extensive list of strategies for the withdrawal of international brands from the Russian market. This expanded list can then be used to conduct a more comprehensive study of the factors that influence the decision-making process of international brands when leaving the Russian market.

CHAPTER 2. DEVELOPMENT OF THE RESEARCH DESIGN AND COLLECTION OF THE DATA.

2.1. Statement of the research question.

Although research on the exit strategies of international companies from the Russian market is limited, some recent studies have shed light on this topic. Federle et al. (2022) and Ahmed, S., Hasan, M. M., & Kamal, M. R. (2022) found that companies located closer to the Ukrainian border experienced a decrease in market returns, while Berninger, M., Kiesel, F., & Kolaric, S. (2022) identified a negative impact on European and Asian stock markets due to the ongoing conflict between Russia and Ukraine. Sonnenfeld et al. (2022) concluded that leaving the Russian market can be beneficial in the short term, while Glamboosky and Peterburgsky (2022) found that companies that have completely left the Russian market experience the highest negative abnormal return.

In these studies, researchers classified 3-5 exit strategies for different companies leaving the Russian market and assigned a score to each strategy based on their assessment of its effectiveness. However, as the list of companies leaving the Russian market continues to grow and each company has its unique challenges, a more detailed and updated classification of strategies is needed, taking into account new data and company-specific factors.

In this study, the focus will be on examining the perceptions of consumers regarding various exit strategies. Understanding how consumers perceive different exit strategies for their favorite brands leaving the Russian market is crucial in developing effective strategies and evaluating their potential success. It is essential to determine whether consumers recognize the difference between a complete cessation of activities and a temporary suspension.

Research Question: What is the impact of different exit strategies of international brands on consumers' perception of brand loyalty and brand capital in the Russian market after the events of February 2022?

My research aims to investigate the impact of different exit strategies on brand equity (brand capital) and customer loyalty. The study aims to assist Russian investors in making informed decisions about which exit strategy to choose when rebranding companies. Specifically, the study will examine the attitudes of loyal customers towards the different exit strategies and their impact on customer loyalty. The study will also explore the potential for companies to return to the market and whether customers will be willing to buy from their favorite brand if the company returns under a new brand name.

2.2. Research Model and Hypothesis

The findings of the previous chapter indicate that consumers' loyalty to a brand can be influenced by the way the brand exits the Russian market. For example, if a brand is acquired by a Russian investor and rebranded under a new name, consumers may still remain loyal to the brand, thinking that it is the same product or service under a new name.

In the field of brand loyalty research, a multifactorial model is commonly used as it allows for a more comprehensive understanding of the loyalty formation process. Single-factor models, such as the ACSI and ECSI models, are limited in their ability to fully describe the complexity of customer loyalty formation, as loyalty is not solely determined by satisfaction with a product or service (Back & Parks, 2003). Indeed, some studies have shown that consumer satisfaction can change over time and does not necessarily guarantee ongoing loyalty (Malik, Ghafoor, & Iqbal, 2012).

As such, multifactor models are more commonly employed, taking into account various factors that influence loyalty, such as trust, emotional attachment, and perceived value. It should be noted that there is no general consensus on the requirements for constructing a loyalty model, as the process is subjective and dependent on the specific research question. The primary goal of a loyalty model is to achieve a clear understanding of the loyalty formation process and the factors that contribute to it.

There is a positive correlation between brand image, brand satisfaction, and brand loyalty. Consumers who perceive a positive brand image are more likely to exhibit loyalty towards that brand, while higher satisfaction levels can also lead to greater loyalty (Ahmed, Rizwan, Ahmad, & Haq, 2014). However, recent events, such as the mass withdrawal of international brands from the Russian market, have altered consumer perceptions and behaviors towards these brands. As such, it is important to further study this phenomenon and understand how these changes are affecting consumer loyalty towards international brands in the Russian market.

This study aims to propose a descriptive model to investigate the consumer perception of the exited brands. The proposed model will consider three groups of variables: (1) control variables, which will show factors that may affect consumer loyalty to any brand; (2) dependent variables, which will indicate changes in consumer perception of the brand after March 2022; and (3) factors that explain the spread of values of the dependent variables. Although the model will not include many variables, its main objective is to highlight the critical points to better understand consumer behavior towards the exited brands.

| Factors | Variables | Description | Source |
|--|------------------|---|--|
| Socio-demographic | Control | - | - |
| (G1) Quality awareness | Control | An indicator describing the perceived level of product quality and reliability | Bong Na, Marshall, & Lane Keller, 1999 |
| (G2) Brand awareness | Control | One of the most important characteristics of a brand is its recognizability, which reflects its level of popularity and the ease with which its attributes are perceived. | Bong Na, Marshall, & Lane Keller, 1999 |
| (G3) Brand loyalty awareness | Control | It is a measure of the level of awareness that consumers have about the brand's reputation and its ability to retain loyal customers. | Worthington, Russell-Bennett, & Härtel, 2010 |
| (G4) Brand image | Dependent | This is the image of a company that owns a brand, which can be perceived as reliable and successful in satisfying the needs of its customers. | Worthington, Russell-Bennett, & Härtel, 2010 |
| (G5) Brand attitude (brand satisfaction) | Dependent | This factor measures consumer satisfaction with brands, that is, how satisfied they are with their experience of interacting with the brand. | Worthington, Russell-Bennett, & Härtel, 2010 |
| (G6) Attitude towards brand quality (brand satisfaction) | Dependent | Measures brand satisfaction through the quality of the brand's products. | Original scale |
| (G7) The attitude of buyers to the company after leaving | Independent | Measures how people's attitudes towards international brands have changed after their exit from the Russian market. | Original scale |
| (G8) Attitude to the possibility of the | Independent | Measures the extent to which consumers are aware of whether | Original scale |

| | | | |
|--|--|---|--|
| company's return to the Russian market | | international companies can return to the market. | |
|--|--|---|--|

Table 3. Variables for the model. Source: compiled by the author

The aim of this study is to investigate the impact of different strategies used by international brands to withdraw from the Russian market on consumers' perception of these brands after the events of February 2022.

The main hypothesis: People who are aware of the exit strategy from the Russian market began to perceive their favourite brand worse.

When people become aware of companies that have decided to leave the Russian market, their perception of these companies becomes significantly worse. Firstly, consumers may end their shopping experience due to the departure of the company, and secondly, they may not want to continue shopping because the brands they are loyal to have decided to leave. This results in a reduction in brand loyalty (Nguyen, Barrett, & Miller, 2011). However, if buyers have no understanding of the exit strategies that companies follow, then their loyalty may not change.

Hypotheses:

1. The type of exit strategy (full withdrawal, partial withdrawal or staying on the market) used by international brands affects consumer loyalty in different ways. Comparative analysis of different strategies.
2. A complete withdrawal from the market usually leads to a complete loss of brand loyalty.
3. More loyal consumers to the brand will remain loyal to their brand regardless of the chosen strategy.
4. Consumers who value a quality brand will perceive the brand's departure negatively.

2.3. Methods and research design

In this section of the study, I will expound on the selected research methodology and provide a rationale for its selection. To obtain dependable and accurate outcomes concerning a particular research question, it is crucial to establish specific objectives and goals that clearly outline the research's purpose.

In March 2022, a significant number of international companies began to withdraw from the Russian market, resulting in various consequences for the companies themselves, the market, and consumers. While this study focuses on the impact of this phenomenon on consumers, its findings will also be beneficial for companies. Consumers often have established purchasing patterns that are challenging to replace and losing a preferred brand can result in difficulty adapting. Consumers remain loyal to their favored brands due to their appreciation for the brand's

quality and services. However, when a brand completely exits the market, consumer loyalty disappears after a certain period as they no longer interact with the brand.

It was found that the Russian market is an attractive destination for foreign brands due to the high demand for many goods. As a result, several companies have chosen to partially withdraw or suspend their investments to avoid losing a lucrative market that generates substantial profits. If companies exit the market entirely, they risk losing their reputation and loyal customers, which makes it difficult to return to the Russian market due to the intense competition and damaged brand image. Therefore, many companies have selected various exit strategies, and it is crucial to investigate how different exit strategies affect consumer perceptions of these companies.

Even if a company chooses a complete exit strategy, it can still retain loyal customers. To begin, this study aims to determine the most effective exit strategies for companies in terms of maintaining brand loyalty. Once the best strategies have been identified, each approach will be examined separately to determine the underlying reasons for their success or failure.

The empirical portion of this study has a specific objective, which is to identify the impact of the different exit strategies adopted by companies on consumer brand loyalty after March 2022. The following tasks have been established to achieve this goal:

- 1) Assess the level of importance consumers place on a brand when making purchasing decisions.
- 2) Measure the degree of loyalty consumers have towards popular and familiar brands.
- 3) Analyze consumers' attitudes towards the decisions made by brands to leave the Russian market.

It is essential to note that there is no universal classification of exit strategies, making it necessary to rely on various sources to identify and categorize these strategies. In the first chapter of this study, an extensive analysis of scientific literature was conducted, with a focus on topics such as exit strategies for international brands from the Russian market and how brand loyalty is formed and affected by different exit strategies.

To achieve the research goal and objectives, a quantitative research method, specifically a consumer survey, will be utilized. This research approach enables the collection of accurate and objective data, ensuring reliable results. The survey questionnaire was created based on the image models (Bong Na, Marshall, & Lane Keller, 1999) and the loyalty model (Worthington, Russell-Bennett, & Härtel, 2010).

The structure of this section is shown in Figure 1 and consists of a detailed description of the preparation stages for creating a survey.

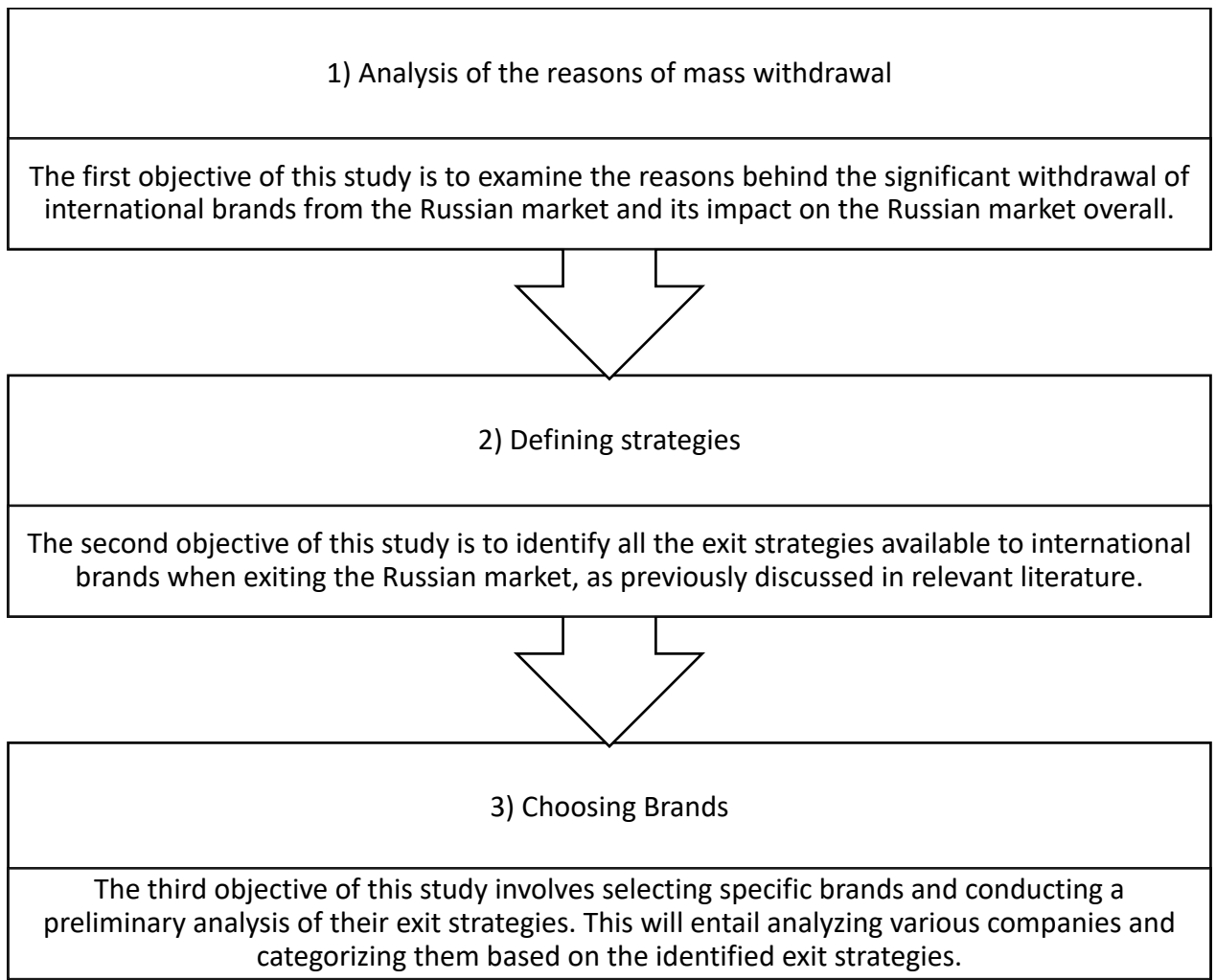


Figure 5. The process of analysis.

Source: compiled by the author

The most challenging phase of this study was the selection of brands that corresponded to each identified exit strategy. This required a detailed analysis of a vast list of companies and a comparison with the identified strategies. Additionally, it was crucial to consider the level of familiarity of the selected brands among the respondents. In other words, it was necessary to choose popular companies that the respondents were familiar with and had prior experience purchasing or using their products or services.

The purpose of the survey was to investigate how consumers' perception of international companies changed based on their exit strategies from the Russian market. Participants were asked to rate various statements on a scale of 1 to 5, where 1 meant "strongly disagree" and 5 meant "strongly agree." The survey consisted of three blocks of questions:

- 1) A socio-demographic questionnaire
- 2) A block of questions that assessed participants' general perception of brands (Bong Na, Marshall, & Lane Keller, 1999; Worthington, Russell-Bennett, & Härtel, 2010)

- 3) A block of questions related to participants' attitudes towards a brand that had implemented an exit strategy from the Russian market (Chang, 2002; Holbrook & Batra, 1987).

These statements aimed to measure behavioral, affective, and cognitive loyalty.

The first set of questions in this study pertains to socio-demographic information. I deemed it essential to include participants with higher education levels to obtain more precise findings. This is because people with higher education tend to have a more objective perspective regarding international brands that have decided to withdraw from the Russian market. I also considered the respondents' income and place of residence in our selection process. Income is a crucial factor because it indicates the ability of the respondents to interact independently with the chosen brands. I selected the participants from major cities, specifically St. Petersburg and Moscow, as these are the primary destinations for international brands due to higher demand. This approach ensured that all the respondents were familiar with the companies included in the study.

The second section of the questionnaire focuses on brand perception. To understand how people perceive brands, I included questions that aimed to gauge their loyalty towards favorite brands and the importance of purchasing high-quality products. This section was further divided into three subgroups:

- 1) Quality awareness (Bong Na, Marshall, & Lane Keller, 1999)
- 2) Brand awareness (Bong Na, Marshall, & Lane Keller, 1999)
- 3) Brand loyalty awareness (Worthington, Russell-Bennett, & Härtel, 2010)

These factors were included as control variables to ensure the accuracy of the study's results.

| Statement | | Variable | Source |
|--------------------------|-------------------|--|--|
| Overall brand perception | Quality awareness | It is very important for me to get good quality | Bong Na, Marshall, & Lane Keller, 1999 |
| | | In general, I usually try to buy the highest quality goods and services. | |
| | | I make special efforts to choose the best quality products | |
| | | In fact, I don't think much and worry about my purchases. | |
| | | My standards and expectations for the products I buy are very high. | |
| | | Well known brands are the best for me | |

| | | |
|-------------------------|--|--|
| Brand awareness | As a rule, more expensive brands are my choice. | Bong Na, Marshall, & Lane Keller, 1999 |
| | The higher the price, the better the quality | |
| | I prefer to buy the best selling brands | |
| | The most advertised brands are usually a very good choice. | |
| | Well known brands are the best for me | |
| Brand loyalty awareness | I have favorite brands that I buy again and again | Worthington, Russell-Bennett, & Härtel, 2010 |
| | Once I find a product or brand that I like, I stick with it. | |
| | I can go to the same stores every time I go shopping | |
| | I change the brands I buy regularly | |

Table 4. The first part of the questionnaire.

Source: compiled by the author

In the third section of the survey, respondents are given the opportunity to select a single company from a list of nine options and answer questions specifically related to that company. Each company represents a distinct exit strategy from the Russian market, and the questions have been tailored to each company's specific strategy. However, to ensure an objective assessment, the total score for each factor will be used.

| Company Name | Strategy | Substrategy |
|---------------------|---------------------|---|
| Ikea | Full exit | Clean Break |
| McDonalds | Full exit | Exit completed with the option to come back |
| Meta | Suspension | Suspended part of company's business operations on their own |
| L'Oréal | Suspension | Suspended part of their business operations due to external factors |
| Mars | Continue operations | In the process of making a decision |
| Coca-Cola | Continue operations | Scaling back |
| Auchan | Continue operations | Nothing to promise |
| Heineken | Continue operations | Decided to leave, but not now |
| Emirates | Continue operations | Continue operations |

Table 5. Exit strategies. Source: compiled by the author

The first group of questions, referred to as "Attitude to Brand 1," is comprised of dependent variables that can be further divided into three subgroups:

- 1) Brand image (Chang, 2002)
- 2) Brand attitude (brand satisfaction) (Chang, 2002)
- 3) Attitude towards brand quality (brand satisfaction) (Holbrook & Batra, 1987)

The "Attitudes to brand 2" section focuses on independent variables directly related to changes in consumer perception of the companies following the events of February 2022. This section is divided into two subgroups:

- 1) The attitude of buyers to the company after exit thr Russian market. This particular subgroup is crucial in gauging consumer sentiment towards companies that have either exited or remained in the Russian market.
- 2) Attitude to the possibility of the company's return to the Russian market. This set of questions is essential in determining the extent to which consumers are willing to continue shopping or using their favorite brand if it were to return to the Russian market.

In addition, four blocks of questions were developed for each company that primarily aimed at identifying the reasons if hypothesis 1 is confirmed.

| Statement | | Variable | Source |
|----------------------|---|--|-----------------------------|
| Attitudes to brand 1 | Brand image | How familiar are you with Ikea? | Chang, 2002 |
| | | How often did you shop at Ikea before March 2022? | |
| | Brand attitude (brand satisfaction) | Ikea is a good brand | Chang, 2002 |
| | | Ikea is an attractive brand | |
| | | Ikea is a nice brand | |
| | | Ikea is a positive brand | |
| | Attitude towards brand quality (brand satisfaction) | Ikea is a high quality brand | Holbrook & Batra, 1987 |
| | | Ikea manufacturer is reliable | |
| | | You can rely on the manufacturer Ikea | |
| I trust Ikea | | | |
| Attitudes to brand 2 | The attitude of buyers to the company after leaving | I respect Ikea | Original measurement method |
| | | I feel discomfort in connection with the exit of Ikea from the Russian market | |
| | | For me, the exit of Ikea from the Russian market was painless | |
| | | I have sharply negative feelings in connection with the exit of Ikea from the Russian market | |

| | | |
|---|---|-----------------------------|
| Attitude to the possibility of the company's return to the Russian market | I would like Ikea to return to Russia | Original measurement method |
| | I would happily continue shopping at Ikea if the company returned to Russia | |
| | I would like to buy some things from the Ikea store now | |
| | I would recommend Ikea to my friends and family if the company returned to the Russian market | |

Table 6. The first part of the questionnaire.

Source: compiled by the author

2.4. Sample and data collection

The study was conducted on a sample of young adults primarily aged 18 to 25, residing in St. Petersburg (61%) or Moscow (39%). The sample consisted of 43% men and 57% women. These cities were selected due to their high standards of living and educated populations. The age range of 23-26 was chosen as individuals in this age group are more likely to be economically active and engage in shopping. The study also took into account the following characteristics:

- Education levels:
 - a) Basic general education – 0,4%
 - b) Secondary general education – 18,9%
 - c) Secondary vocational education – 10,0%
 - d) Higher education - Bachelor's degree – 40,0%
 - e) Higher education - Master's degree – 22,6%
 - f) Higher education - specialty – 8,1%
 - g) Higher education - training of highly qualified personnel – 0%
- Monthly income:
 - a) From 0 to 30,000 rubles – 23,7%
 - b) From 30,000 to 60,000 rubles – 24,8%
 - c) From 60,000 to 100,000 rubles – 27,8%
 - d) From 100,000 rubles and more – 23,7%
- Occupation:
 - a) Student – 37,8%
 - b) Worker – 62,2%

The majority of participants held higher education degrees, which allowed them to stay informed about global news, including the issue of international brands withdrawing from the

Russian market. Participants who had experience managing their finances and making purchases independently were also included in the study.

To ensure an equal number of respondents in each group, the sample was divided into 9 groups based on variable questions. Quotas were used in the survey to ensure that each group had approximately 30 participants with equal distribution of men and women. Once a group reached the required number of respondents, that group was manually removed from the list of questions to ensure that all groups were filled as much as possible.

The survey was distributed through the internet and chats with students who were suitable candidates for the study. Over 400 invitations to participate in the survey were sent out, resulting in 270 respondents. Participants who had no experience interacting with at least one of the proposed companies from the list were removed from the questionnaire to ensure that the data collected was relevant to the study.

On average, the experiment took approximately 5 minutes to complete. The questionnaire consisted of an average of 35 questions, including filtering questions and the main survey.

Respondents were first asked to answer questions related to their level of loyalty in general. These questions were the same for all groups. Next, respondents were asked to select a company from a list and answer a block of questions related to that specific company. The block of questions could vary slightly across different groups and have a different number of questions depending on the selected company and its exit strategy from the Russian market. The questions were also distributed according to certain factors in the model. To analyze the data, the average value of the group of questions was calculated. This average value was used for subsequent analyses and model construction.

This method was chosen to avoid bias among participants when evaluating variables. Asking participants to evaluate all companies would take a significant amount of time and not all participants would have interacted with all the proposed companies. Therefore, it was sufficient to ask participants to choose one company and answer questions related to it. This method to a minimum amount of time for respondents, allowing them to answer questions carefully and with concentration.

Participants were asked to recall the experience of buying from a specific brand and evaluate their attitude towards that brand. They were they asked to fill out a questionnaire with questions related to their experience.

2.5. Conclusions for chapter 2

In the second chapter, the research question was defined, the chosen research method and design were explained, the model factors were identified and elucidated, hypotheses were formulated, and a study sample was selected.

Firstly, the research question was determined based on the existing literature and previous studies. This study is focused on the perception of consumers regarding different exit strategies, which has not been extensively studied before. This topic is of particular interest due to the ongoing research on the exit strategies of companies from the Russian market.

Secondly, the study identified factors that influence consumers' perceptions of different brands through a comprehensive analysis of both theoretical and empirical literature. However, gaps in the literature were found regarding how consumer loyalty changes in response to different exit strategies from the Russian market. While loyalty may typically decrease when a brand exits a market, this study aims to investigate whether this is the case for brands that have been rebranded after being sold to Russian investors. The study has also determined key factors that influence brand loyalty, including quality awareness, brand awareness, brand loyalty awareness, brand image, brand attitude (brand satisfaction), attitude towards brand quality (brand satisfaction), the attitude of buyers to the company after leaving, attitude to the possibility of the company's return to the Russian market.

Thirdly, we formulated hypotheses and selected a suitable research method for collecting consumer data on their perception of different exit strategies. We chose a quantitative research method - a survey - and developed questions to assess respondents' loyalty.

Fourthly, we developed a descriptive model that shows how consumers perceive different brands in relation to different exit strategies from the Russian market. We classified the model's dependent, independent, and control variables.

CHAPTER 3. MODEL ANALYSIS AND DISCUSSION

3.1. Analysis of results of empirical testing of the model

The empirical study conducted yielded data on factors that impact consumer loyalty towards specific companies. The analysis of this data involved tasks such as verifying the proposed structure and examining the relationship between loyalty factors and the perception of various exit strategies.

Before proceeding with hypothesis testing, it is crucial to ensure the reliability of the scales that represent the variables within the second-level model. Since each factor comprises multiple questions, the number of which may differ depending on the selected company and its strategy, it is essential to assess the reliability of indicators for each group separately. To accomplish this, we can use the Cronbach's Alpha indicator, which should ideally have a value greater than 0.7.

| Factor | Cronbach Alfa | | | | | | | | |
|---|---------------|------------|-------|---------|------|-----------|--------|----------|----------|
| | Ikea | McDonald's | Meta | L'Oreal | Mars | Coca-Cola | Auchan | Heineken | Emirates |
| Quality awareness | 0,846 | 0,872 | 0,82 | 0,828 | 0,91 | 0,898 | 0,902 | 0,875 | 0,752 |
| Brand awareness | 0,898 | 0,929 | 0,84 | 0,88 | 0,89 | 0,866 | 0,893 | 0,774 | 0,813 |
| Brand loyalty awareness | 0,592 | 0,782 | 0,68 | 0,413 | 0,63 | 0,661 | 0,568 | 0,493 | 0,597 |
| Brand image | 0,092 | 0,202 | -0,13 | -0,526 | 0,07 | -0,517 | 0,295 | 0,364 | -0,308 |
| Brand attitude (brand | 0,714 | 0,81 | 0,88 | 0,874 | 0,91 | 0,817 | 0,862 | 0,841 | 0,753 |
| Attitude towards brand quality | 0,597 | 0,939 | 0,75 | 0,905 | 0,91 | 0,771 | 0,893 | 0,865 | -0,475 |
| The attitude of buyers to the | 0,745 | 0,506 | 0,52 | 0,739 | 0,02 | -0,046 | 0,58 | -0,89 | 0,126 |
| Attitude to the possibility of the company's return to the Russian market | 0,357 | 0,848 | 0,73 | 0,795 | 0,62 | 0,343 | 0,111 | 0,46 | -0,38 |

Table 7. Cronbach Alfa.

Source: compiled by the author

The survey data was analyzed using an Excel application, where the data was transformed for subsequent analysis, and the average value was calculated for each factor. Upon reviewing the table, it became evident that most indicators had a value greater than 0.7, indicating that the sample was suitable for further factor analysis.

However, there were two factors that raised concerns: Brand Image (G4) and Attitude towards the possibility of the company's return to the Russian market (G8). The analysis revealed the need to exclude the transformed variable of Brand Image (G4), as it consisted of two separate questions. One question assessed the respondent's familiarity with the chosen company, while the second question measured how frequently the respondent purchased from this brand. It was decided to treat these questions as two separate indicators for the model as there could be respondents who knew about the brand but did not interact with it regularly.

Regarding the second indicator (G8), the attitude towards the possibility of the company's return to the Russian market had a different number of questions depending on the selected company and strategy. However, one question was the same for all companies and should be considered a separate indicator. This question measured people's willingness to recommend the brand to their friends, which made sense since the other questions in this group were related to the possibility of international brands returning.

After reliability analysis, the model was changed. The new model included the following factors:

- Quality awareness (G1)
- Brand awareness (G2)
- Brand loyalty awareness (G3)
- Knowledge of brand (G4_1)
- Experience with brand (G4_2)
- Brand attitude (G5)
- Attitude towards brand quality (G6)
- The attitude of buyers to the company after leaving (G7)
- Attitude to the possibility of the company's return to the Russian market (G8_1)
- Recommendations to other people. (G8_2)

To evaluate the initial hypothesis that the exit strategy employed by international brands has varying impacts on consumer loyalty (H1), a factor analysis was conducted on the collected data using the varimax rotation technique. Confirmatory factor analysis is a powerful multidimensional method utilized to confirm or reject hypotheses regarding the number of factors and their respective loads.

| KMO and Bartlett's Test | | |
|--|--------------------|----------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | .764 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 1202.321 |
| | df | 45 |
| | Sig. | <.001 |

Table 8. KMO and Bartlett's's Test.

Source: compiled by the author

The factor extraction technique used in this analysis is principal component analysis, while the rotation method is varimax with Kaiser normalization. The Kaiser-Meyer-Olkin (MSA) measure of sampling adequacy is 0.764, with a significance level of less than 0.001, suggesting that the data are appropriate for factor analysis.

| Communalities | | |
|--|---------|------------|
| | Initial | Extraction |
| G1 | 1.000 | .899 |
| G2 | 1.000 | .887 |
| G3 | 1.000 | .813 |
| G4_1 | 1.000 | .634 |
| G4_2 | 1.000 | .445 |
| G5 | 1.000 | .730 |
| G6 | 1.000 | .777 |
| G7 | 1.000 | .530 |
| G8_1 | 1.000 | .568 |
| G8_2 | 1.000 | .431 |
| Extraction Method: Principal Component Analysis. | | |

Table 9. Communalities

Source: compiled by the author

| Component Matrix^a | | | |
|--|-----------|------|------|
| | Component | | |
| | 1 | 2 | 3 |
| G1 | | .944 | |
| G2 | | .938 | |
| G3 | | .901 | |
| G4_1 | | | .752 |
| G4_2 | | | .613 |
| G5 | .846 | | |
| G6 | .866 | | |
| G7 | .691 | | |
| G8_1 | .742 | | |
| G8_2 | .637 | | |
| Extraction Method: Principal Component Analysis. | | | |
| a. 3 components extracted. | | | |

Table 10. Component Matrix.

Source: compiled by the author

The findings of the survey have confirmed the original structure proposed. Specifically, the analysis identified three factors that align with the theoretical framework guiding the study, indicating that the underlying structure has remained largely unchanged.

The first factor grouped items related to consumer loyalty in general, which is expected given that this dimension comprises key indicators such as Quality awareness (G1), Brand awareness (G2), and Brand loyalty awareness (G3).

The second factor encompassed questions related to brand engagement, such as the respondent's familiarity with the company and the frequency of interactions with the brand.

Finally, the third factor included items that pertained to a specific brand, exploring the respondent's attitude towards it following a chosen exit strategy, as well as their views on the possibility of reintroducing international brands to the Russian market.

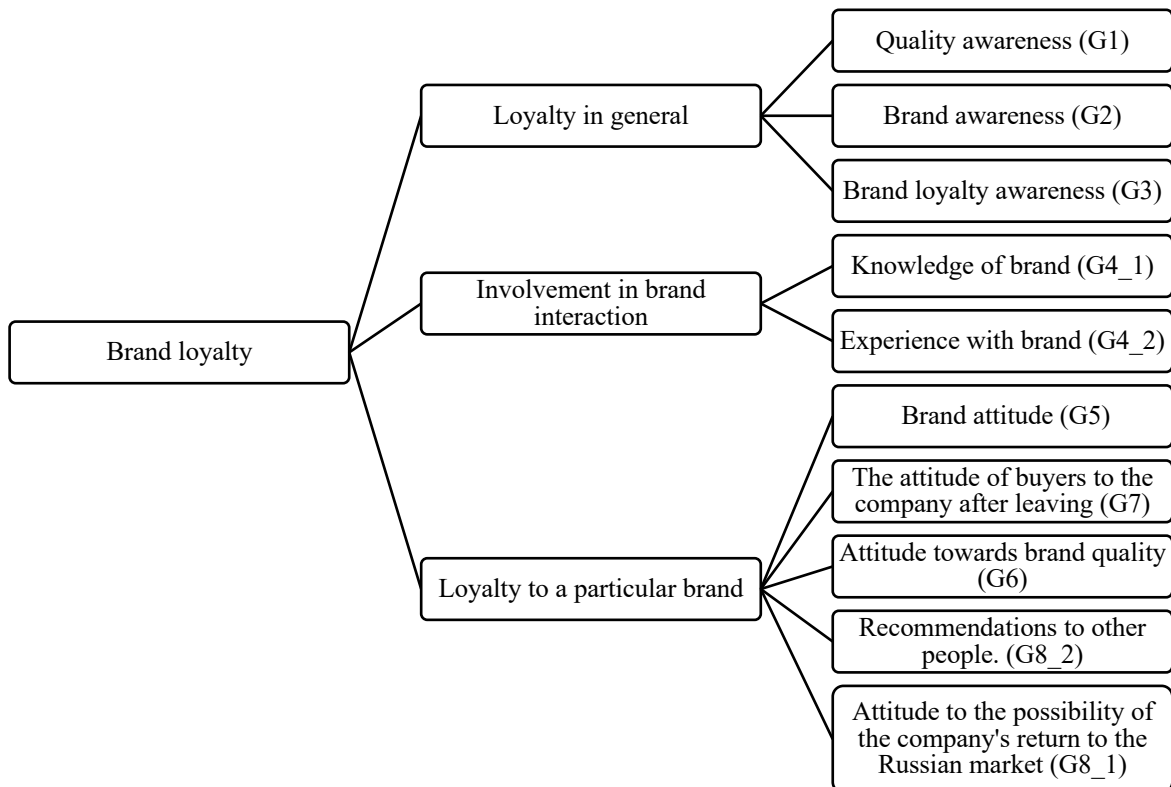


Table 11. Factors for the model.

Source: compiled by the author

In order to test the hypotheses, factor analysis was conducted and new variables were derived. To proceed with further analysis, it was essential to standardize these factors to a normalized state (N=3) to enable the utilization of different exit strategies for comparative analysis.

To assign scores to each factor, a ranking method was employed. A score of 3 indicates that respondents are highly brand-loyal, exhibit loyalty in general or engage frequently with brands. A score of 2 indicates moderate loyalty towards the brand, or general loyalty or engagement with the brand. A score of 1 indicates relatively low levels of loyalty towards the

brand, or general loyalty or engagement with the brand. This ranking approach allowed for fair evaluation of all groups of companies.

The first comparative analysis revealed the percentage of companies to which respondents remained loyal. This percentage ranged from 7% to 14%.

| Substrategy | Strategy | Company | |
|---|---------------------|----------------|-----|
| Exit completed with the option to come back | Full exit | McDonald's | 14% |
| Continue operations | Continue operations | Emirates | 13% |
| Nothing to promise | Continue operations | Auchan | 12% |
| Suspended part of their business operations due to external factors | Suspension | L'Oréal | 12% |
| Clean Break | Full exit | Ikea | 11% |
| Scaling back | Continue operations | Coca-Cola | 10% |
| Decided to leave, but not now | Continue operations | Heineken | 10% |
| Suspended part of company's business operations on their own | Suspension | Meta | 10% |
| In the process of making a decision | Continue operations | Mars | 7% |

Table 12. Results. 1 experiment.

Source: compiled by the author

The findings of this study provide support for the first hypothesis, which suggests that the exit strategy employed by international brands has varying impacts on consumer loyalty. Surprisingly, even though McDonald's fully exited the Russian market, they still managed to retain the most loyal customers. This finding contradicts the theoretical review which suggests that brand loyalty should have vanished once people stopped interacting with the brand.

| Substrategy | Strategy | Company | |
|--|---------------------|----------------|-----|
| Exit completed with the option to come back | Full exit | McDonald's | 25% |
| Clean Break | Full exit | Ikea | 21% |
| Suspended part of company's business operations on their own | Suspension | Meta | 21% |
| Nothing to promise | Continue operations | Auchan | 8% |
| Scaling back | Continue operations | Coca-Cola | 8% |

| | | | |
|---|---------------------|----------|----|
| Continue operations | Continue operations | Emirates | 8% |
| Suspended part of their business operations due to external factors | Suspension | L'Oréal | 8% |
| Decided to leave, but not now | Continue operations | Heineken | 0% |
| In the process of making a decision | Continue operations | Mars | 0% |

Table 13. Results. 2 experiment.

Source: compiled by the author

In the second comparative analysis, an additional factor was considered - the level of involvement in interaction with the brand. The results showed that McDonald's remained at the top of the list, indicating that consumers still remain loyal to this brand.

Interestingly, both Ikea and Meta, which have withdrawn from the Russian market, shared the second place on the list. This finding suggests that consumers remained loyal to their preferred brands, even after their decision to leave the market. Overall, the study highlights the importance of brand loyalty and customer engagement. Despite changes in the market and the withdrawal of some brands, consumers can maintain their attachment to their favorite products and companies. The hypothesis H2 that a complete withdrawal from the market usually leads to a complete loss of brand loyalty has not been confirmed.

| Substrategy | Strategy | Company | |
|---|---------------------|----------------|-----|
| Clean Break | Full exit | Ikea | 30% |
| Suspended part of company's business operations on their own | Suspension | Meta | 30% |
| Scaling back | Continue operations | Coca-Cola | 20% |
| Suspended part of their business operations due to external factors | Suspension | L'Oréal | 10% |
| Continue operations | Continue operations | Emirates | 10% |
| Exit completed with the option to come back | Full exit | McDonald's | 0% |
| In the process of making a decision | Continue operations | Mars | 0% |
| Nothing to promise | Continue operations | Auchan | 0% |
| Decided to leave, but not now | Continue operations | Heineken | 0% |

Table 14. Results. 2 experiment.

Source: compiled by the author

In the third comparative analysis, we included all relevant factors to test hypotheses H3 and H4. Our findings indicated that individuals who exhibit general loyalty and positive brand engagement are more likely to remain loyal to Ikea and Meta. Despite the fact that these companies have ceased operations in Russia, they continue to hold a special place in the hearts of their most loyal customers.

3.2. Analysis of the investigation results

Evaluating the results obtained from empirical research, it can be concluded that consumers do not assess a company based on its chosen exit strategy. In other words, the decision of companies to completely withdraw from the market does not affect people's perception of them, as consumers still value product quality and recognize the brand's positive reputation. People who have had frequent interactions with the brand remain loyal to it. However, in most cases, consumers are disappointed by the brand's decision to completely leave the Russian market, as it forces them to change their purchasing habits. The survey has shown that a significant percentage of consumers would like their favorite brands to return to the market.

The best strategy for attracting consumers is for the company to stay in the Russian market, disregarding the possibility of being subjected to sanctions. Customers prefer stability, and if they are loyal to a particular brand, it will be difficult for them to change their buying habits.

Evaluating the criterion of buyers' attitudes towards the company after its withdrawal, respondents positively assess companies that have made the decision to remain in the Russian market. They continue to make purchases from these companies, which influences brand loyalty and fosters a positive attitude towards the brand.



Table 15. The attitude of buyers to the company after leaving.

Source: compiled by the author

| Substrategy | Strategy | Company |
|---|---------------------|------------|
| Clean Break | Full exit | Ikea |
| Suspended part of company's business operations on their own | Suspension | Meta |
| Scaling back | Continue operations | Coca-Cola |
| Suspended part of their business operations due to external factors | Suspension | L'Oréal |
| Continue operations | Continue operations | Emirates |
| Exit completed with the option to come back | Full exit | McDonald's |
| In the process of making a decision | Continue operations | Mars |
| Nothing to promise | Continue operations | Auchan |
| Decided to leave, but not now | Continue operations | Heineken |

Table 16. Description of exit strategies.

Source: compiled by the author

When analyzing companies that have made the decision to exit or partially exit, it becomes clear that for many consumers, the company's decision does not play a significant role, as they continue to remain loyal due to the high quality of the products. It is likely that if these companies decide to return, consumers who previously demonstrated loyalty will gladly resume making purchases.

When considering exit strategies from the perspective of both companies and consumers, the best strategy is to complete the exit with the option to return. This approach allows the company to minimize risks for its other markets and maintain loyalty in the Russian market. A good example of this is the fast-food chain McDonald's, which chose precisely this strategy. The company sold its assets to Russian shareholders, who then opened fast-food restaurants under a new brand associated with the well-known McDonald's. Many consumers perceive this opening as a rebranding of the old company, thus they remain loyal to the previous brand and continue to make purchases from the new brand.

3.3. Theoretical and practical implications

3.3.1. Theoretical Implications

Factors Influencing Consumer Loyalty: The study identified and confirmed three key factors that influence consumer loyalty: general loyalty, brand engagement, and specific brand attitudes following an exit strategy. This contributes to the theoretical understanding of the drivers of consumer loyalty in the context of international brands exiting the market.

Impact of Exit Strategies on Consumer Loyalty: The findings provide empirical evidence that different exit strategies employed by international brands have varying impacts on consumer loyalty. This challenges the assumption that a complete withdrawal from the market always leads to a complete loss of brand loyalty. The study highlights the complexity of consumer-brand relationships and the potential for consumer loyalty to persist even after brand exit.

3.3.2. Practical Implications

Strategic Decision-Making: The study offers practical insights for international companies considering exit strategies from the Russian market. It suggests that brand loyalty can be maintained even after a brand's complete exit, indicating the potential value of re-entering the market in the future. This information can inform strategic decision-making and help companies assess the long-term implications of their exit strategies.

Brand Management: The findings emphasize the importance of building and nurturing brand loyalty and engagement among consumers. Companies should focus on developing strong brand awareness, maintaining positive brand attitudes, and fostering ongoing interactions with consumers to enhance loyalty. Understanding the factors that drive consumer loyalty can guide brand management strategies and help companies strengthen their position in the market.

Consumer Perception and Communication: The study highlights the role of consumer perception in maintaining brand loyalty. Transparent and timely communication can help mitigate negative perceptions and maintain positive brand relationships with consumers, even during periods of market exit.

Market Entry and Re-entry Strategies: For companies planning to re-enter the market after an exit, the study underscores the importance of retaining customer loyalty during the absence. It suggests that companies should consider strategies to maintain brand engagement and communication with consumers during the exit phase, as this can positively influence future consumer behavior and facilitate a smoother re-entry into the market.

Overall, the theoretical and practical implications of the study provide valuable insights for both researchers and practitioners in the fields of consumer behavior, brand management, and strategic decision-making. Understanding the factors influencing consumer loyalty and the impacts of exit strategies can help companies navigate market dynamics and maintain strong relationships with their customer base.

3.4. Limitations and future research directions

3.4.1. Limitations

Sample size and generalizability: The study is limited by the size of the sample, which can impact the generalizability of the results. Additionally, the study predominantly included students aged 21 to 25 years old. They may exhibit brand loyalty even after withdrawal, so it would be beneficial to investigate other audiences who are less aware of the international market withdrawal.

Perception assessment through survey method: The perception of strategies was assessed through survey methods to obtain more detailed responses. However, it would have been advantageous to also utilize one-on-one online interviews with suitable respondents to gather deeper insights.

Lack of longitudinal perspective: The study adopted a cross-sectional design, collecting data at a specific point in time. This limits the ability to draw causal conclusions or examine changes in consumer loyalty over time. Future research could employ longitudinal models to investigate the dynamics of consumer loyalty and the long-term consequences of withdrawal strategies.

3.4.2. Future research directions

Furthermore, this study serves as a starting point for investigating consumers' perceptions of these exit strategies. The fact that some consumers remain loyal to brands that have left the Russian market indicates that consumer loyalty is influenced by various factors depending on the chosen exit strategy. Future studies can build on these findings to gain a better understanding of how consumers perceive different exit strategies and the impact on brand loyalty.

Comparative analysis of different markets: Future research can expand the study beyond the Russian market to examine consumer reactions to exit strategies in other countries or regions. Comparing results across different markets will provide a broader understanding of the impact of exit strategies on consumer loyalty and identify any differences influenced by cultural or market factors.

Qualitative research: Supplementing quantitative findings with qualitative research methods such as in-depth interviews or focus groups can provide a deeper understanding of consumer perceptions, emotions, and motivations regarding brand loyalty and exit strategies. Qualitative research can provide insights into the underlying reasons for consumer behavior and shed light on the complexities of consumer-brand relationships.

Long-term effects of exit strategies: Examining the long-term effects of different exit strategies on consumer loyalty will provide insights into the sustainability and durability of brand relationships. Understanding how consumer loyalty changes over time after brand withdrawal and re-entry into the market will contribute to a comprehensive understanding of consumer behavior in dynamic markets.

3.5. Conclusions for chapter 3

The empirical study on consumer loyalty and exit strategies of international brands from the Russian market revealed several key findings.

The following exit strategies of international companies from the Russian market have been identified during the research: 1) Clean Break; 2) Suspended part of company's business operations on their own; 3) Scaling back; 4) Suspended part of their business operations due to external factors; 5) Continue operations; 6) Exit completed with the option to come back; 7) In the process of making a decision; 8) Nothing to promise; 9) Decided to leave, but not now.

It was found that different exit strategies are perceived differently by consumers. In three conducted experiments, companies that exited or partially exited the Russian market were ranked first among consumers.

All possible exit strategies of international companies from the Russian market have been identified and described.

The characteristics of the perception of different exit strategies of international companies from the Russian market have been identified and described.

One of the most significant factors is the loyalty of consumers to the brand, that is, their attitude towards it.

The reliability analysis ensured the suitability of the collected data for factor analysis, with most indicators having values above the recommended threshold. Adjustments were made to the model, including separating indicators for brand familiarity and frequency of interactions, as well as considering a separate indicator for willingness to recommend the brand. Factor analysis was conducted to test the hypotheses, and new variables were derived for further analysis. Standardization and ranking methods were employed to assess loyalty levels across different exit strategies.

The analysis confirmed the proposed structure of factors influencing loyalty and perception of exit strategies. The perception of consumers is more complex and includes 3 factors: 1) Loyalty in general; 2) Involvement in brand interaction; 3) Loyalty to a particular brand. And 10 subfactors: 1) Quality awareness; 2) Brand awareness; 3) Brand loyalty awareness; 4) Knowledge of brand; 5) Experience with brand; 6) Brand attitude; 7) The attitude of buyers to the company after leaving; 8) Attitude towards brand quality; 9) Recommendations to other people; 10) Attitude to the possibility of the company's return to the Russian market.

The perception of brands by consumers was analyzed, and all respondents remained neutral towards the brand's exit. The exit did not elicit a negative attitude towards the brand from them.

Overall, the study highlights the significance of brand loyalty and consumer engagement in maintaining customer attachment even after changes in the market or brand exit.

CONCLUSION

The key points of the Master's Thesis can be summarized as follows:

1) The Russian market and its characteristics were studied.

The Russian market offers several advantages that make it attractive to various businesses, including a large audience, a developing economy, and its geographical location. It was important to study the Russian market to understand what companies might lose if they decide to exit the market and how challenging it would be to re-enter.

2) All exit strategies from the Russian market following the events of February 2022 were identified and classified.

Through an extensive literature review, three primary groups of exit strategies (full exit, suspension, continue operations) were identified, further subdivided into nine subgroups (Clean Break, Exit completed with the option to come back, Suspended part of company's business operations on their own, Suspended part of their business operations due to external factors, In the process of making a decision, Scaling back, Nothing to promise, Decided to leave, but not now, Continue operations). This classification framework provides a clear understanding of the diverse approaches companies have taken when exiting the market.

To substantiate these findings, the thesis presented a range of case studies featuring companies that implemented specific exit strategies. The analysis of these cases relied on official documents and statements from CEOs, ensuring the accuracy and reliability of the data. By examining these examples and aligning them with the corresponding strategies, the thesis elucidated the potential consequences for companies across various dimensions, such as financial implications, prospects for re-entry into the market, and shifts in consumer perception.

3) The main factors influencing consumer perception of international brands based on different exit strategies from the Russian market have been identified and systematized.

Previously, there were no studies specifically focused on the topic of consumer perception of international brands based on different exit strategies from the Russian market. Therefore, existing research on brand loyalty and consumer behavior was examined.

The main factors identified include Quality awareness, Brand awareness, Brand loyalty awareness, Brand image, and Brand attitude (brand satisfaction). These factors were chosen to measure the loyalty towards brands that have already exited the Russian market, as well as those that remained or partially ceased their operations. Additionally, new factors were developed, including Attitude towards brand quality (brand satisfaction), The attitude of buyers towards the company after leaving, and Attitude towards the possibility of the company's return to the Russian

market. These factors aimed to measure the attitudes towards international brands and their decisions regarding further operations in the Russian market.

- 4) An original model of consumer perception of international brands based on different exit strategies from the Russian market has been developed, illustrating how brand loyalty changes.

The study argues that an individual can remain loyal to a brand only if they continue to engage with the brand by making purchases and being satisfied with the quality of their purchases.

- 5) The identified exit strategies from the Russian market were analyzed through surveys, and the strategies that are most positively perceived by consumers were determined.

The research findings highlight that the best strategy for attracting consumers is for companies to maintain their presence in the Russian market, even disregarding the potential risk of sanctions. Customers value stability, and if they have developed loyalty towards a particular brand, it becomes challenging for them to change their purchasing habits.

Furthermore, when evaluating the criterion of buyers' attitudes towards companies after their withdrawal, respondents showed positive assessments for those companies that made the decision to remain in the Russian market. These companies retained customer purchases, contributing to brand loyalty and fostering a favorable brand perception.

Upon analyzing companies that decided to exit or partially withdraw from the market, it becomes evident that for many consumers, the company's decision does not significantly impact their loyalty. Instead, their loyalty remains intact due to the consistent delivery of high-quality products. Consequently, if these companies choose to return, it is likely that consumers who previously demonstrated loyalty will gladly resume their purchases.

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APPENDIX 1. THE QUESTIONNAIRE

Research on the perception of international brands that have decided to exit the Russian market

Thank you for agreeing to participate in the survey!

This survey is part of a research study for my master's dissertation and is dedicated to studying the perception and evaluation of international brands by consumers based on various strategies of exiting the Russian market.

Filling out the survey will take no more than 5 minutes.

This survey is anonymous. Its results will be used solely for scientific purposes.

1 part. Demographics

The first set of questions will help me get to know you better.

1) Please indicate your gender

*Choose only one option.

- Female
- Male

2) Please indicate your age

*Choose only one option.

- Up to 17
- 18 to 22
- 23 to 27
- 28 to 32
- 33 to 37
- 38 and above

3) Please indicate your occupation

*Choose only one option.

- Student
- Employed
- Other: [Please specify]

4) Please indicate your income level

*Choose only one option.

- Up to 30,000 rubles
- 30,000 to 60,000 rubles
- 60,000 to 100,000 rubles
- 100,000 rubles and above

5) Please indicate your current level of education

*Choose only one option.

- Primary education
- Secondary education
- Vocational education
- Bachelor's degree
- Master's degree
- Specialist degree
- Postgraduate professional education
- Other: [Please specify]

6) Your place of residence

*Choose only one option.

- Moscow
- Saint Petersburg
- Other: [Please specify]

2 part. Awareness of Quality and Brand

Please answer the following questions related to your consumer preferences.

1) Please rate on the provided scale how much you agree with the following statements (1 - strongly disagree, 5 - strongly agree):

*Choose only one option.

| | 1 | 2 | 3 | 4 | 5 |
|--|---|---|---|---|---|
| For me, it is very important to receive good quality. | | | | | |
| In general, I usually strive to buy the highest quality products and services. | | | | | |
| I make special efforts to choose products of the best quality. | | | | | |
| In reality, I don't think much or worry about my purchases. | | | | | |

| | | | | | |
|---|--|--|--|--|--|
| My standards and expectations for the products I buy are very high. | | | | | |
|---|--|--|--|--|--|

2) Please rate on the provided scale how much you agree with the following statements (1 - strongly disagree, 5 - strongly agree):

*Choose only one option.

| | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| Well-known brands are the best for me. | | | | | |
| Usually, more expensive brands are my choice. | | | | | |
| The higher the price, the better the quality. | | | | | |
| Good departments and specialized stores offer me the best products. | | | | | |
| I prefer to buy the best-selling brands. | | | | | |
| The most advertised brands are usually a very good choice. | | | | | |

3) Please rate on the provided scale how much you agree with the following statements (1 - strongly disagree, 5 - strongly agree):

*Choose only one option.

| | 1 | 2 | 3 | 4 | 5 |
|--|---|---|---|---|---|
| I have favorite brands that I buy again and again. | | | | | |
| Once I find a product or brand that I like, I stick to it. | | | | | |
| I can go to the same stores every time I go shopping. | | | | | |
| I regularly change the brands I buy. | | | | | |

Part 3. Company selection

Please choose 1 company from the list that you are most familiar with and have interacted with at some point. In the next section, you will answer questions related to this company.

1) Choose 1 company/brand from the list that you use (or have used) most often. Mark only one oval.

- Ikea Skip to question 11
- McDonald's Skip to question 20
- Meta (Facebook, Instagram) Skip to question 28
- L'Oréal Skip to question 35

- Mars Skip to question 42
- Coca-Cola Skip to question 49
- Auchan Skip to question 57
- Heineken Skip to question 64
- Emirates Skip to question 71
- Not used

Part 4. Selected company. Example Ikea

In the previous section, you selected a company. In this section, there are questions related to that company.

1) Please rate on the provided scale how familiar you are with the company Ikea:

Mark only one oval.

Not familiar at all 1 2 3 4 5 Very familiar

2) Specify how often you made purchases at Ikea stores before March 2022:

Mark only one oval.

- 1 - Very rarely
- 2 - Rarely
- 3 - Occasionally
- 4 - Frequently
- 5 - Very frequently

3) Please rate on the provided scale how much you agree with the following statements regarding Ikea (1 - strongly disagree, 5 - strongly agree):

Mark only one oval per row.

| | 1 | 2 | 3 | 4 | 5 |
|-------------------------------|---|---|---|---|---|
| Ikea is a good brand. | | | | | |
| Ikea is an attractive brand. | | | | | |
| Ikea is a pleasant brand. | | | | | |
| Ikea is a positive brand. | | | | | |
| Ikea is a high-quality brand. | | | | | |

4) Please rate on the provided scale how much you agree with the following statements regarding Ikea (1 - strongly disagree, 5 - strongly agree):

Mark only one oval per row.

| | 1 | 2 | 3 | 4 | 5 |
|--------------------------------------|---|---|---|---|---|
| The manufacturer Ikea is reliable. | | | | | |
| I can rely on the manufacturer Ikea. | | | | | |
| I trust the company Ikea. | | | | | |
| I respect the company Ikea. | | | | | |

5) Please rate on the provided scale how much you agree with the following statements regarding Ikea (1 - strongly disagree, 5 - strongly agree):

Mark only one oval per row.

| | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| I feel discomfort due to Ikea's exit from the Russian market. | | | | | |
| For me, Ikea's exit from the Russian market happened without any pain. | | | | | |
| I feel strongly negative emotions due to Ikea's exit from the Russian market. | | | | | |

6) Please rate on the provided scale how much you agree with the following statements regarding Ikea (1 - strongly disagree, 5 - strongly agree):

Mark only one oval per row.

| | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| I would like Ikea to return to the Russian market. | | | | | |
| I would gladly continue to make purchases at Ikea stores if the company returned to Russia. | | | | | |
| I would like to buy some items from Ikea right now. | | | | | |
| If Ikea returned to the Russian market, I would recommend the company to my friends and family. | | | | | |