St. Petersburg University
Graduate School of Management

Master in Management Program

PARALLEL IMPORTED GOODS AND CONSUMPTION VALUES IN RUSSIA

Master's Thesis by the 2nd year student
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St. Petersburg

2024

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АННОТАЦИЯ

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Образовательная программа	080500 - «Менеджмент»
Направление подготовки	Менеджмент
Год	2024
Научный руководитель	Шарахин Павел Сергеевич
Описание цели, задач и основных результатов	Цель: Изучить влияние потребительских ценностей на намерение россиян покупать параллельно импортируемые товары, и на их основе сформулировать практические рекомендации российским компаниям Задачи: • Осветить теорию поведения потребителей при наличии параллельного импорта • Создать гипотезы и опросник на основе этой теории • Собрать первичные данные с помощью опросника • Проанализировать данные при помощи статистического программного обеспечения, чтобы подтвердить или опровергнуть гипотезы • Разработать практические рекомендации на основе анализа данных Основные результаты: • Значительное положительное влияние функциональной ценности на намерение покупать параллельно импортируемые товары • Значительный положительный влияние условной ценности на намерение покупать параллельно импортируемые товары • Большинство российских покупателей планируют в будущем покупать параллельно импортируемые товары • Полученные результаты применимы либо для дальнейших исследований в области потребительского поведения, либо для внедрения в российских компаниях
Ключевые слова	Параллельный импорт, потребительское поведение, теория потребительских ценностей, параллельный импорт в России

ABSTRACT

Master Student's Name	Zurovskiy Timur
Master Thesis Title	Parallel Imported Goods and Consumption Values in Russia
Educational Program	080500 «Management»
Main field of study	Management
Year	2024
Academic Advisor’s Name	Pavel S. Sharakhin
Description of the goal, tasks and main results	Goal: To explore consumption value factors influencing the intention of Russian consumers to buy parallel imported goods, and based on them to formulate practical recommendations to Russian companies Objectives: • To cover the theory of consumer behavior in the presence of parallel import • To create hypotheses and questionnaire based on this theory • To collect primary data with the questionnaire • To analyze the data with statistical software in order to support or reject hypotheses • To come up with practical recommendations based on data analysis Main results: • Significant positive effect of functional value on the intention to buy parallel imported goods • Significant positive effect of conditional value on the intention to buy parallel imported goods • The majority of Russian customers are planning to buy parallel imported goods in the future • The obtained results are either applicable for further studies within consumer behavior field or for implementation in Russian companies
Keywords	Parallel import, consumer behavior, theory of consumption values, parallel import in Russia

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INTRODUCTION

Research motivation and research gap

After the February of 2022 many foreign companies closed their Russian subsidiaries. Those who have been exporting to Russia announced the cessation of supplies. All this resulted in the fact that soon, after all the warehouses got empty, many Russian citizens would face the lack of goods from Europe and the US. The changes would be noticeable in different fields: starting from clothing (H&M, Zara) to car industry (Ford, BMW).

Even though some people might think that this would be good for the Russian economy as there would be less competition in the market and people would buy things produced by Russian firms, still the government decided to use legislation to permit the import of the banned goods through third countries. In order to do so the new resolution was adopted in March of 2022. According to this resolution, some categories of goods could be exported through thirds countries without any prosecution. Later, in May of 2022, The Ministry of Industry and Trade of the Russian Federation (Minpromtorg) approved the list of goods and trademarks, parallel import of which was permitted. The list consisted of hundreds of trademarks in different industries: car industry (Tesla, Land Rover, Jeep), car parts (Hyundai, Nissan, Volkswagen), tires (Continental, Michelin), electronics (Dyson, Apple, Samsung), gaming consoles (PlayStation, Xbox). In total more than 50 product groups, including textiles, leather goods, clothing, furs, perfumes.

While it may seem that the resolution made it possible to buy brand-new foreign goods as it used to be, there are still many risks and obstacles that both customers and importers are facing. When it comes to customers one of the drawbacks is the price increase. If in the past a good needed to be transported from a country producer to a country importer – now there is also a third party that buys the good from the producer and then, through third country transports it to Russia. All these extra steps will result in the price increase that a regular customer will have to cover. Secondly, amid big scales of parallel import a bigger number of counterfeit goods are imported. Only in 2022 there was a 17% increase in number of counterfeit goods, from 7 mln. in 2021 to 8.2 mln. in 2022 (Shavshina, 2023). When in comes to those who are trying to use this opportunity to earn by reselling goods, there are also possible obstacles. One of them is the fact that the list of goods permitted to be parallelly imported is never fixed. With new versions, some goods are being put into the list, some are being taken out. In such instability it is hard to plan regular supplies if some categories could be excluded by law in the matter of days.

Considering the fact that it has been just over two years since significant changes were introduced, there is still little research in the field of parallel imported goods and the way Russian customers treat them. It is possible that some groups of people have become more in favor of domestic goods, after feeling betrayed when global companies left Russia. It is also possible that for some groups of people the ability to buy familiar foreign goods is important even when it may lead to price increase and uncertainty of supply.

Research goal and tasks

Research goal: the primary goal of the research is to explore consumption value factors influencing the intention of Russian consumers to buy parallel imported goods, and based on them to formulate practical recommendations to Russian companies. In order to achieve the goal, the following tasks were formulated:

1. To cover the theory of consumer behavior in the presence of parallel import
2. To create hypotheses and questionnaire based on this theory
3. To collect primary data with the questionnaire
4. To analyze the data with statistical software in order to support or reject hypotheses
5. To come up with practical recommendations based on data analysis

CHAPTER 1. OVERVIEW OF PARALLEL IMPORT AND THEORY OF CONSUMPTION VALUES

1.1 Parallel import

1.1.1 The concept of parallel import

According to WTO (World Trade Organization) Parallel Import is "When a product made legally (i.e., not pirated) abroad is imported without the permission of the intellectual property right-holder (e.g., the trademark or patent owner)". This topic has been discussed for decades as there are different views whether it should be permitted or not. Parallel imports are the subject of considerable debate and controversy in the international trade-policy arena. The global system of intellectual property rights (IPR), as established in the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) in the World Trade Organization, permits each country to establish its own legal regime (Maskus, 2000). In total there are 3 types of exhaustion of intellectual property rights: national, international and regional. Briefly speaking, if a country follows national exhaustion it effectively bans parallel trade since under this principle a right holder's IPR over a product is deemed to expire only in the country of first sale, making it possible for the right holder to prevent resale of its product in other markets. Under the doctrine of international exhaustion, the relevant IPR expires globally with the first sale of a product anywhere so that a right holder cannot block parallel trade. Finally, under regional exhaustion, the right expires upon first sale within a well-defined region comprising a group of countries but not outside it (Saggi, 2014). The example of national exhaustion of IPR is Russia, even of today, though some might think differently. As for international exhaustion such countries as India, China, etc. Regional exhaustion is, in turn, pertained to the European Union.

1.1.2 The impact of parallel import on consumers and producers

There are different views on whether the presence of parallel import can be beneficial to consumers. According to Raghuvanshi (2016), Under the international exhaustion principle, the IP protected goods become cheaper and more accessible to the consumers. It also helps to prevent the monopolistic approach and dominance position in the market exercised by IP holder or their duly authorized licensee. Parallel import also shoots healthy competition in the market between the IP holder and parallel importer which in turn leads to trading of goods at a cheaper rate, which in turn benefits the ultimate consumers.

While admitting possible advantageous of parallel import towards consumers, it is still crucial to acknowledge risks associated with these goods. As it was already mentioned, with introduction of parallel import or semi-parallel import, there is a higher chance of facing counterfeit goods or goods of a bad quality (Shavshina, 2023). It could be explained by the fact that instead of authorized distributors, who were directly responsible in front of IPR holder, now anyone can engage in second-hand export to a country in order to earn some money.

What is hard to deny is that consumers usually are beneficiaries of parallel trade mainly because of the price reduction. Different scholars have studied different market segments in different countries and how the prices changed after a country legalized parallel import through international exhaustion of intellectual property rights. For instance, Ganslandt and Maskus (2004) demonstrated that in the Swedish pharmaceutical market, parallel imports led to a reduction in producer prices by 12–19%. Such examples could be seen in different countries. Duso, Herr and Suppliet (2014) showed that in the German antidiabetic drug market in 2004–2010. prices for patented products decreased by 11%.

However, not all studies record the positive impact of parallel imports on price competition. For instance, some authors note that independent importers often tend to copy the price behavior of copyright holders, which may lead not to a decrease, but to an increase in the price of branded goods (Kanavos and Vandoros, 2014).

When it comes to producers it is not so obvious about the impact of parallel import on their businesses. In order to test this, different scholars have introduced models to see what will be the effect on producers in case of presence or absence of parallel import. For instance, Ahmadi and Yang (2000) have analyzed the effects of parallel imports on a global supply chain with one manufacturer selling in two geographically separated markets (countries). To focus on the manufacturer's perspective, they have assumed that the manufacturer sells through the authorized channel over which it can control prices to maximize global supply chain profits. In the absence of parallel imports, the manufacturer can act like a price-discriminating monopolist because the two markets are separate. However, when the price gap between the two countries is wide enough, parallel importation becomes a profitable activity, and the need arises for the manufacturer to revise its pricing and distribution strategies accordingly. Parallel imports can be detrimental to the manufacturer as they take away some authorized sales in the higher-priced country.

At the same time, some scholars have successfully proved that under specific conditions even producers may benefit from the presence of parallel import. Raff and Schmitt (2007) have published a paper "Why parallel trade may raise producers' profits", where they demonstrated that

there are circumstances under which it pays a manufacturer to allow retailers to engage in parallel trade. Specifically, parallel trade gives retailers an incentive to place larger orders than they otherwise would. Moreover, parallel trade in these circumstances is generally welfare improving. These results arise when four conditions are met: first, retailers must place orders before they know the state of the demand; second, the states of the demand are different across markets; third, the products have little value at the end of the demand period (or equivalently, it is costly to maintain them as inventories); and fourth, we have the right type of demand shock. In particular, we should expect to see parallel imports encouraged by manufacturers in those industries in which consumer's willingness to pay is relatively similar across markets but for which there is uncertainty about how many consumers will actually choose to buy.

1.1.3 Goods with and without additional services

Although parallel imports may be permitted and parallel traders are able to compete, this does not automatically result in complete market integration. This is primarily due to producers' efforts to counteract the adverse impact of parallel imports. One commonly employed tactic is to diminish the substitutability between authorized units and parallel import units by offering after-sales services, such as repairs and maintenance, exclusively to authorized products. This means that customers should consider not only the value of a good at the moment of buying it, but also take into considerations the fact that future repairs or new software might be needed. This consideration significantly differentiates between goods with additional services (cars, electronics) and goods without additional services (clothes). Given this fact, customers should be more careful when buying parallel imported goods that would need additional services.

For items like clothing, which typically do not necessitate extensive post-purchase support, consumers tend to focus more on immediate factors such as style, material quality, and price. The decision-making process often revolves around aesthetic preferences, brand affinity, and affordability. Parallel imports of clothing items may primarily compete on these fronts, offering similar designs at potentially lower prices. Consumers purchasing parallel-imported clothing are less concerned about post-purchase services such as warranties or repairs. The perceived risk associated with parallel imports of clothing is relatively low compared to goods requiring additional services. As a result, the decision-making process for clothing purchases may be simpler and less influenced by concerns about product support.

In contrast, products like cars and electronics demand more consideration of post-purchase support and services. Consumers purchasing parallel-imported cars or electronics are not only

concerned with the initial product quality and price but also with ongoing warranty coverage, technical support, and repair services. The decision-making process for parallel imports of cars and electronics involves evaluating the availability and quality of after-sales services provided by parallel traders. Consumers may weigh factors such as warranty validity, compatibility with local standards, and access to authorized repair centers. Parallel imports in these categories may face greater scrutiny due to the potential risks associated with inadequate post-purchase support.

Ultimately, the choice between parallel imports and authorized products hinges on the perceived value proposition, with consumers of goods requiring additional services placing more emphasis on post-purchase support and brand reputation. While parallel imports of clothing may primarily compete on price and design, those of cars and electronics must also address concerns about service reliability and product authenticity (Ishikawa, Morita & Mukunoki, 2020).

1.1.4 Parallel import in the world

China

China's attitude towards parallel import appears to be evolving and adaptive. Initially, there were limitations on parallel imports due to concerns over after-sales services, lack of "three guarantees," and licensing restrictions. However, with the establishment of the China (Shanghai) Pilot Free Trade Zone and the introduction of new policies, China has taken steps to legitimize and regulate parallel import activities. The government's approach seems pragmatic, recognizing the potential benefits of parallel imports, such as providing consumers with more choices, competitive pricing, and promoting fair market competition. The pilot project in the Free Trade Zone demonstrates a willingness to experiment with new policies to address the challenges and opportunities presented by parallel imports. Additionally, there is a recognition of the need to balance intellectual property rights with public health and economic considerations. While acknowledging the importance of intellectual property protection, China also appears open to learning from international examples, such as India's approach to generic medicines, to meet the country's healthcare needs.

Overall, China's stance on parallel import reflects a dynamic response to changing market dynamics and a recognition of the potential benefits of parallel import activities, while also addressing concerns related to intellectual property rights and consumer welfare (Wu & Yan, 2018).

South Korea

In terms of economic policy, South Korea has shifted towards a more liberal stance on parallel imports, which has been generally embraced by Korean consumers due to several positive outcomes. Firstly, parallel importation has helped to mitigate monopolization and fostered increased competition among sellers. Secondly, the rise in parallel imports has led to a reduction in average prices in department stores and authorized retailing outlets, as they strive to compete with the pricing of parallel imports. Additionally, parallel imports have been perceived as less costly, aside from potential legal concerns regarding trademark rights.

According to the Korea Customs Service, the market size of parallel imports reached $1.5 billion in 2014 and is expected to continue growing rapidly. To safeguard consumers from counterfeit products, the Korea Customs Service implemented the 'Korea Customs Clearance Certification System for Parallel Imports' in August 2012. This institutional system mandates that all parallel-imported goods passing through customs inspection must bear a QR code. This QR code, resembling a sticker, enables consumers to access information regarding customs clearance, importer details, and clearance dates by scanning it with a smartphone. With the introduction of the QR code system, consumer trust in parallel imports as genuine goods has increased significantly, leading to a notable surge in parallel imports (Shin, 2020).

European Union

The European Union (EU) approaches parallel imports (PI) with a cautious and meticulously regulated stance, deeply rooted in the principles of fostering a harmonized internal market and protecting intellectual property rights. Since its inception, the EU has aimed to dismantle economic barriers among Member States, facilitating the unrestricted movement of goods and services. However, this vision encounters complexities when juxtaposed with trademark law, particularly concerning the exhaustion of trademark rights. The EU's historical journey, from the establishment of the European Economic Community (EEC) in 1957 to the evolution of its legal framework, underscores its commitment to balancing the interests of trademark proprietors with the imperatives of promoting fair competition and consumer access to a diverse marketplace.

Central to the EU's approach is the principle of regional trademark exhaustion, which prohibits trademark proprietors from partitioning national markets and impeding trade between Member States. This doctrine, enshrined in legal instruments such as the First Council Directive of 1988, emphasizes the importance of maintaining a unified internal market while respecting the rights of trademark holders. Through extensive case law and regulatory measures, the EU has endeavored to establish clear guidelines for handling parallel imports, ensuring that trademark

owners retain control over their brands while enabling the seamless circulation of goods across borders within the single market. This cautious yet inclusive approach reflects the EU's commitment to striking a delicate balance between promoting economic integration and safeguarding intellectual property rights in a rapidly evolving global marketplace (Dobrin & Chochia, 2016).

The USA

The approach of the USA to trademark exhaustion and parallel imports is characterized by a nuanced balance between the rights of trademark proprietors and the interests of consumers. Unlike the EU's more cautious stance, the USA adopts a relatively liberal approach, although it does not fully embrace the international exhaustion doctrine. In the USA, the principle of universality initially guided the approach to trademark exhaustion, suggesting that international exhaustion would be the most suitable option. However, the evolving landscape of trademark law has led to a more complex understanding of trademark exhaustion. While the universality principle remains relevant, considerations of consumer protection and unfair competition have prompted the adoption of measures such as the "common control" doctrine and the "material difference" rule.

The "common control" doctrine aims to limit parallel imports by granting trademark proprietors control over the distribution of their products. This control ensures that consumers receive genuine, quality products consistent with the trademark's reputation. Meanwhile, the "material difference" rule serves to safeguard consumers from deceptive practices by allowing parallel imports only if the products are not materially different from authorized ones. Recent legal developments, such as the Kirtsaeng v. John Wiley & Sons, Inc. case, have hinted at a potential shift towards international exhaustion in copyright law. While this may influence trademark law, any transition would require careful consideration of the implications for trademark proprietors, consumers, and market dynamics.

Overall, the USA's approach to trademark exhaustion and parallel imports reflects a commitment to balancing the interests of all stakeholders in the marketplace. This balancing act seeks to promote competition, consumer choice, and innovation while safeguarding the rights of trademark proprietors (Dobrin & Chochia, 2016).

1.1.5 Parallel import in Russia

Attitude of the Russian government towards parallel imports has been changing for decades. In the year 2002, Russia adopted national exhaustion of intellectual property rights. It

meant that only a producer or an authorized representative of the company can import goods to Russia. One of the reasons for this decision was to show that Russia respects intellectual property and trademarks and that it will not allow gray import to enter the country. This position of the government would make Russia more favorable for foreign direct investments (FDI). 12 years later, in 2014, the Federal Antimonopoly Service of the Russian Federation proposed introducing the international exhaustion of IPR in Russia, but only starting with some categories of goods, such as markets of medicines, medical devices and equipment, auto parts, electrical and household appliances, clothing and soft drinks (Report of the Eurasian Economic Commission, 2016). Since then, little progress was made. Only after geopolitical crisis in the February of 2022 and only after tranches of sanctions, the Russian government decided to significantly change its attitude to parallel import. By Decree of the Government of Russia of March 29, 2022, parallel imports into the country were allowed for a number of product items to reduce damage from the departure of foreign manufacturers from the national market. One month later, by order of the Ministry of Industry and Trade of the Russian Federation, a list of goods was approved in relation to which the national exhaustion of IPR. This list included: cars, car parts, tires, gaming consoles, electronics (smartphones, laptops, etc.), household appliances, products from rubber and plastic. Considering the wide range of approved goods, it is one of the goals of this thesis – to identify, which of the goods are demanded the most.

It is important to understand that Russian case is different from many other countries mentioned before. Germany and Sweden did not experience ban of drug import to their countries. They still received drugs from producers, but because of the presence of parallel import now they could also receive the same drugs, but from less developed places, where the drugs are distributed at the cheaper price, which resulted in additional supply of drugs with lower price to Germany and Sweden. Russian case is different mainly because when many foreign companies shut down all supply, parallel import became the only option to buy a good in Russia.

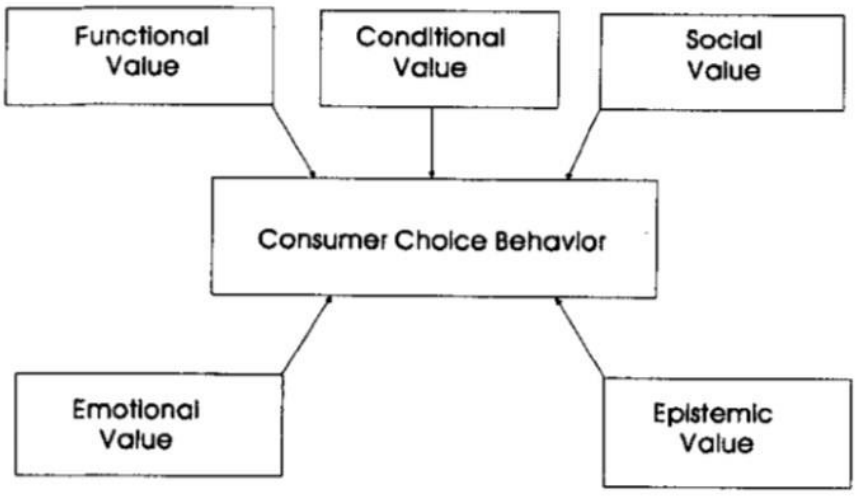
While admitting the value that parallel import brought to Russian citizens, some experts note important issues that should be carefully examined. For instance, Shavshina (2023), the head of the group of services for customs regulation and international trade in B1, during the XVII annual customs conference of the AEB “Customs and business: development of cooperation in new realities.” highlighted relevant questions and problems regarding parallel import. One of the key points was the increase in counterfeit goods. In 2022 there were 1.2 million counterfeit goods more than in 2021. Another issue that was mentioned was about the effectiveness of Customs Register of Intellectual Property Rights (TROIS). Before 2022 customs authorities regularly notified copyright holders and their representatives that the release date for a particular product

was suspended and waited for feedback from the copyright holder. But now copyright holders and their representatives receive such notifications from customs authorities less and less often.

According to some of the authors, in 2022, the effect of parallel import in Russia could be seen in different sectors of the economy. Especially, it could be seen in the car and electronics industries. The new models of iPhones and German cars could be bought regardless of the fact that Apple and car producers stopped exporting to Russia. It could be explained by the fact that these goods were initially imported to neighboring countries of Russia and only then, they were imported to Russia. The biggest disadvantage of this method is that the prices have gone up by about 5-15% (Maslenko, 2023). Knowing that information, it can be beneficial to study the effect of price increase on the intention of Russian consumers to buy parallel imported goods.

1.2 Theory of consumption values

One of the ways to understand whether people want to buy parallel imported goods is to understand their values. Indeed, many scholars in marketing created different frameworks in order to understand why consumers do what they do. One of the most prominent works in the field is the theory of consumption values by Sheth (1991). This framework measures how different values affect the consumer decision to buy or not to buy something. One of the advantageous of this framework is that is takes into consideration different aspects of humans' decision-making. Not only it looks at the emotions, but it also takes into consideration functionality of an item. In total there are five key values that can have both positive and negative effect on buying decision. These are: functional value, conditional value, social value, emotional value and epistemic value.



Theory of Consumption Values (TCV), Sheth (1991)

Functional value deals with perceived utility of a product. What is the most important here is physical characteristics of a product and whether it can do a function that it was bought for. Sheth (1991) described this value in the following way: The perceived utility acquired from an alternative's capacity for functional, utilitarian, or physical performance. When it comes to parallel import, this value might be the key decision to buy, for instance, a brand-new laptop, as it surpasses the old ones with its functionality.

H1: Functional value has a significant positive effect on the intention to buy parallel imported goods.

Social value deals with desire to be a part of a group. One of the reasons people buy goods, especially the very expensive ones like: branded clothing or expensive cars, is to experience the sense of belonging to specific groups, in this case to be a part of extremely wealthy group of people. Sheth (1991) defined this value this way: The perceived utility acquired from an alternative's association with one or more specific social groups. In the context of parallel import this value might be a critical factor for people buying expensive German cars that were brought by parallel import. Considering the fact that right now it is even more difficult and more expensive to get a new German car – some people could be even more interested in getting one, as fewer people can do this.

H2: Social value has a significant positive effect on the intention to buy parallel imported goods.

The third value is the emotional one. The value makes people want to buy things or services that arouse emotions in them. Sheth (1991) described it like this: The perceived utility acquired from an alternative's capacity to arouse feelings or affective states. This value might be satisfied by different things, for instance by evening dinner in an exotic restaurant or by watching a horror movie. One of the ways some Russian people use parallel import to satisfy this value is through watching films that are not shown legally in Russia. It is organized through neighboring countries in Eurasian Economic Union. These countries receive original movie by filmmakers and then transport it to Russia, where cinemas use this copy to show it to an audience. One of the questions in the future questionnaire in order test emotional value and its influence on customers decision-making, might be based on parallel import of films to Russia.

H3: Emotional value has a significant positive effect on the intention to buy parallel imported goods.

The fourth value is the epistemic one. This value is satisfied by experiencing new things and services. As Sheth (1991) defined it: The perceived utility acquired from an alternative's capacity to arouse curiosity, provide novelty, and/or satisfy a desire for knowledge. This value might be a huge factor for buying things from parallel import, as when things are banned the desire to experience new things is not satisfied. The goods from the EU or the US are a great source for giving new experiences.

H4: Epistemic value has a significant positive effect on the intention to buy parallel imported goods.

The fifth value is the conditional one. This value is satisfied only in specific conditions. For instance, a wedding gown for once-in-a-lifetime occasion or emergency room for a surgery. For Sheth (1991) this value is: The perceived utility acquired by an alternative as the result of the specific situation or set of circumstances facing the choice maker. This value probably has the least influence on customer's decision in the context of parallel import, as most of the goods are cars, electronics, house appliances that are always in need. Though, there might be situation when someone needs medicine that was forbidden to transport to Russia. In this case this particular occasion will reinforce the intention to buy parallel imported medicine.

H5: Conditional value has a significant positive effect on the intention to buy parallel imported goods.

As it can be seen all these values can affect the intention to buy goods brought by parallel import. It is important to understand that sometimes more than one value can affect the decision at the same time. For instance, a decision to buy a new iPhone may be influenced by functional, social and epistemic values, as a new iPhone will have many functions that can satisfy a customer, the fact of having a brand-new iPhone can satisfy your social value as now you can associate yourself with people who also have it, and lastly epistemic value will also be satisfied as you will experience novelty by having a new phone.

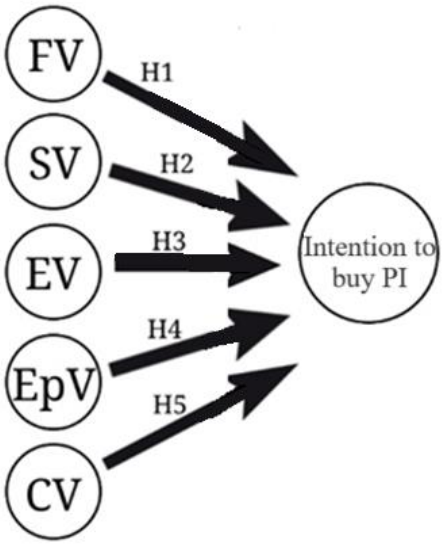
All things considered, the theory of consumption values by Sheth (1991) provides a good opportunity to test consumer values and their influence on intention to buy goods from parallel import. One of the key advantageous of this framework is that values are at different levels: some has to do more with functionality, some has to do more with emotional side. These constructs: functional, social, emotional, epistemic and conditional values could be used as latent construct for future structural equation modeling in order to test their influence of consumer's decision-making.

CHAPTER 2. METHODOLOGY

2.1 Research design

Research design is determined by research goal. When it comes to research goal the following three are distinguished: exploratory research, explanatory research and descriptive research (Saunders, 2009). It is important to understand that sometimes more than one type of goals could be set. A study could be both exploratory and explanatory. As for this thesis, the main goal is to explain why consumers do what they do in the context of parallel import. Hence, the research goal is explanatory, but this goal could be modified during the research.

There are three types of research methodologies: quantitative, qualitative, and hybrid methods (Williams, 2007). For this work the quantitative method is preferred. In order to collect quantitative data a questionnaire will be created that will also contain questions with 5-point Likert scale. The question items will be made based on previous works in the topic of consumption values. After the data is collected, it will be tested in statistical software, such as: SPSS and AMOS. This software will make sure that there are no missing values, outliers, that reliability and validity is met. There also will be Exploratory Factor Analysis in order to test whether items are assigned to the right constructs. After all these steps Confirmatory Factor Analysis will be created that will show how our latent constructs: functional value, social value, emotional value, epistemic value, conditional value influence on the consumer's intention to buy parallel imported goods.



Possible SEM in AMOS. Latent constructs: FV – Functional Value, SV – Social Value, EV – Emotional value, EpV – Epistemic Value, CV – Conditional Value. Dependent variable: intention to buy parallel imported goods.

2.2 Research model constructs

2.2.1 Functional value

Functional value refers to the perceived usefulness derived from an alternative's ability to fulfill functional, practical, or physical needs, encompassing factors such as value for money, quality, price, reliability, and durability (Sheth, 1991). It has been observed in previous research that this particular type of value elicits various responses from customers towards a given product or service. For instance, empirical studies have demonstrated that functional value can positively influence consumers' purchasing decisions (Baek & Oh, 2021).

When considering parallel imported goods to Russia, this concept becomes particularly relevant. Parallel imported goods, which are genuine products imported and distributed through channels other than the manufacturer's authorized distribution network, often compete based on functional value. Consumers in Russia may prioritize factors such as quality, durability, and affordability when evaluating parallel imported goods. Therefore, understanding the interplay between functional value and parallel imported goods in the Russian market is crucial for businesses seeking to effectively position their offerings and meet consumer expectations.

Various studies have utilized this factor to examine the impact of functional value on intentions and willingness. For instance, Omigie (2017) incorporated it into a study on the adoption of mobile financial services. The scale was adopted:

Table 2.1.

Adapted items for Functional Value

Variable	Items	Adapted from	Measurement
FV1	Parallel imported goods help me save time and effort due to better performance	Omigie, 2017	Likert 5-point scale
FV2	Parallel imported goods meet my needs		
FV3	Parallel imported goods simplify my daily tasks and routines		
FV4	I believe that parallel imported goods have more features		

Note. FV – Functional Value of parallel imported goods

2.2.2 Social value

Perceived social value is a crucial factor shaping consumer behavior and satisfaction (Keshavarz, 2018). Studies indicate that perceptions of social value positively affect consumer intentions to take action (Kervenoael, 2020). For example, Chen and Zhang (2021) discovered that social value directly impacts consumers' intentions to purchase green products. Similarly, Jaleel (2021) investigated the link between perceived value and behavioral intention within the realm of medical tourism services, revealing that perceived social influence and social value significantly impact usage intention.

Social value holds significance in the context of parallel imported goods in Russia. While functional attributes like quality and price remain important, social value adds another dimension to consumer decision-making. Parallel imported goods may carry connotations of exclusivity or status, particularly among certain social circles. Consumers may perceive these goods as symbols of sophistication, cosmopolitanism, or rebellion against mainstream consumption patterns. Moreover, parallel imported goods might foster a sense of community among consumers who appreciate niche or imported products, leading to social interactions and discussions around shared interests. Understanding and leveraging social value can be crucial for businesses operating in the parallel import market in Russia. By tapping into consumers' desire for social connection, identity expression, and belonging, marketers can effectively position their offerings and create compelling narratives that resonate with target audiences.

Venkatesh (2012) utilized a scale to evaluate the impact of social value on the acceptance of information technology, finding that social value has a positive and significant effect on acceptance. The items from the scale will be used to create the questionnaire:

Table 2.2.

Adapted items for Social Value

Variable	Items	Adapted from	Measurement
SV1	I think others most likely expect me to buy and to use original western goods	Venkatesh, 2022	Likert 5-point scale
SV2	I think that my friends rather approve my use of original western goods		
SV3	I think that people whose opinion is important to me buy original western goods		
SV4	I think that original western goods are popular among my peers		

Note. SV – Social Value of parallel imported goods

2.2.3 Emotional value

Emotional value refers to the perceived benefit obtained from a product's ability to arouse feelings or emotional states (Sheth, 1991). It represents a product's capability to create connections with customers and evoke positive emotions. Recent research has indicated a positive correlation between emotional value and purchase intention (Joibi & Annuar, 2021). Some scholars have argued that a product's ability to evoke pleasant emotions can enhance consumer attitudes (Chang & Geng, 2022).

Emotional value plays a significant role in the context of parallel imported goods in Russia. While functional aspects such as quality and price are crucial considerations for consumers, emotional value adds another layer to their decision-making process. Parallel imported goods may evoke feelings of exclusivity, adventure, or authenticity among Russian consumers, particularly those who value unique or niche products. Additionally, emotional value can stem from the sense of rebellion or independence associated with bypassing traditional distribution channels. Therefore, understanding and leveraging emotional value can be instrumental for marketers and retailers operating in the parallel import market in Russia, helping them to resonate with consumers on a deeper level and differentiate their offerings in a competitive landscape.

Ekawati (2021) investigated how the emotional value of services influences behavioral intention. The scale was adopted for further research:

Table 2.3.

Adapted items for Emotional Value

Variable	Items	Adapted from	Measurement
EV1	Original western goods provide me with a pleasant experience	Ekawati, 2021	Likert 5-point scale
EV2	I like the interface and design of original western goods		
EV3	Using original western goods gives me a sense of satisfaction		
EV4	In general, using original western goods brings me joy		

Note. EV – Emotional Value of parallel imported goods

2.2.4 Epistemic value

Epistemic value, also referred to as novelty value, is a significant factor in consumer behavior, representing the degree to which a product or service offers unique and fresh opportunities, satisfying consumer curiosity (Fazal-e-Hasan, 2021). Previous research has demonstrated that novelty value plays a substantial role in influencing consumers' intentions to adopt innovative technologies and services (Fazal-e-Hasan, 2021). For example, Fazal-e-Hasan (2021) discovered a positive impact of novelty value on consumers' intentions to use intelligent retail technology. Additionally, Adapa (2020) established a positive correlation between perceived novelty and usage intent. Building upon these insights, this study aims to investigate whether novelty value serves as a distinct measure of consumption value.

Epistemic value, or novelty value, holds relevance in the context of parallel imported goods in Russia. Parallel imported goods may offer unique features, designs, or cultural significance that intrigue consumers and satisfy their curiosity for novel experiences. Russian consumers, particularly those who value innovation and differentiation, may perceive parallel imported goods as offering epistemic value due to their novelty or exclusivity. These products may provide an opportunity for consumers to explore new trends, styles, or cultural influences that may not be readily available through traditional distribution channels. By highlighting the unique features, designs, or cultural significance of their offerings, marketers can appeal to consumers' desire for novel experiences and differentiate their products in a competitive market landscape.

Subin Im (2015) proposes a model wherein perceived value mediates the relationship between novelty and meaningfulness dimensions of creativity and product attitude. This model suggests that for customers to appreciate a new product, it must either be meaningful or, if novel, must also be perceived as cool. The items were adapted for further research:

Table 2.4.

Adapted items for Epistemic Value

Variable	Items	Adapted from	Measurement
EpV1	Compared with local goods, parallel imported goods are radically different	Im, 2015	Likert 5-point scale
EpV2	Compared with local goods, parallel imported goods can be considered as revolutionary		
EpV3	Compared with local goods, parallel imported goods are really “out of the ordinary”		

EpV4	Compared with local goods, parallel imported goods provide something not commonly found	
EpV5	Compared with local goods, parallel imported goods incorporate new ideas/concepts	
EpV6	Compared with local goods, parallel imported goods have unique features	

Note. EpV – Epistemic Value of parallel imported goods

2.2.5 Conditional value

Conditional value, defined as " The perceived utility acquired by an alternative as the result of the specific situation or set of circumstances facing the choice maker" (Sheth, 1991), reflects a product's adaptability to various situations, such as seasonal needs or specific occurrences like emergencies or ceremonies. Research has demonstrated the significant impact of conditional value on consumer purchase intention (Qasim, 2019), as well as its positive relationship with customer attitude (Suhartanto, 2022).

Conditional value is particularly important in the context of parallel imported goods to Russia, where market dynamics and consumer preferences may vary based on specific situations or circumstances. Parallel imported goods, by their nature, offer alternative options to domestically available products, often differing in factors such as pricing, availability, or brand exclusivity. In Russia, the conditional value of parallel imported goods may be influenced by various factors. For instance, during economic downturns or periods of currency devaluation, parallel imports may provide a more affordable option for consumers seeking certain products. Additionally, the seasonal availability of certain goods may enhance their conditional value, with parallel imports offering access to products that are typically only available during specific times of the year. Products that align with cultural events, trends, or emerging consumer preferences may experience heightened demand and perceived value. By recognizing the situational factors that influence consumer behavior, parallel importers can optimize their offerings and enhance their competitiveness in the Russian market.

Lin and Huang (2012) studied theory of consumption values to investigate factors influencing consumer choice behavior regarding green products, finding significant influence of specific conditions. The study provided valuable insights for the effective promotion of green products. The items were adapted and used for further research:

Table 2.5.

Adapted items for Conditional Value

Variable	Items	Adapted from	Measurement
CV1	I would buy parallel imported goods instead of local or fake ones under worsening economic conditions	Lin & Huang, 2012	Likert 5-point scale
CV2	I would buy parallel imported goods if they were available		
CV3	I would buy parallel imported goods if local ones couldn't satisfy my needs		
CV4	The suitability of parallel imported goods for specific needs or circumstances greatly influences my decision to purchase them		

Note. CV – Conditional Value of parallel imported goods

2.2.6 Intention to buy parallel imported goods

Intention to buy is a key construct that holds significant importance in understanding consumer behavior within the case of parallel imported goods in Russia. It serves as a crucial measure of consumers' future purchasing plans and their willingness to engage with various offerings within this market. Research consistently demonstrates that intention to buy is a robust predictor of actual purchasing behavior across diverse contexts, including retail, e-commerce, and consumer goods (Agarwal & Karahanna, 2000; Lin, 2011). For instance, Agarwal and Karahanna (2000) found that intention to buy significantly predicts online shopping behavior, surpassing the impact of perceived value alone.

Given the importance of intention to buy in the context of parallel imported goods in Russia, it becomes essential for providers in this market to encourage consumers to purchase a variety of goods. By making consumers to buy more products and facilitating seamless transactions, providers can enhance consumer satisfaction, engagement, and loyalty, thereby increasing profitability. Understanding the underlying factors that influence intention to buy within the market of parallel imported goods is critical for providers to develop effective strategies and optimize the consumer experience.

Hanafizadeh (2012) employed a scale to capture intention to use in the context of mobile banking adoption, and Goh (2014) utilized the same scale for a different geographical region in a similar study. Adapted items are provided below.

Table 2.6.

Adapted items for Intention to buy

Variable	Items	Adapted from	Measurement
IB1	I will try to buy parallel imported goods as they are imported	Hanafizadeh, 2012	Likert 5-point scale
IB2	In the next 3 months, I will most likely to buy parallel imported goods		
IB3	I plan to buy parallel imported goods in the future		

Note. IB – Intention to buy parallel imported goods

2.3 Data collection

2.3.1 Descriptive statistics

The questionnaire was distributed mostly among bachelor and master students through Telegram and Vkontake. The total number of respondents is 182. There are no missing values as participant had to answer to every question. The table below shows some characteristics of respondents. There are 123 male respondents (67.6%) and 59 female (32.4%). 124 respondents have a higher education (68.1%), 54 respondents have unfinished higher degree (29.7%) and 4 respondents have only secondary education (2.2%). When it comes to age – the majority of respondents are from 18 to 25 years old (164 – 90.1%), people from the age of 26 to 35 account for only 15 respondents (8.2%), while people who are 36 or older are only 3 (1.7%).

Table 2.7.

Demographical information of data sample

Characteristics	Item	Frequency	Percentage
Gender	Male	123	67.6%
	Female	59	32.4%
Age	18-25	164	90.1%
	26-35	15	8.2%
	36 or older	3	1.7%
Education	Secondary	4	2.2%
	Unfinished higher	54	29.7%
	Higher	124	68.1%

2.3.2 Reliability analysis

Cronbach's alpha is a measure used to assess the reliability, or internal consistency, of a set of scale or test items. Put differently, the reliability of a measurement indicates how consistently it reflects a particular concept, and Cronbach's alpha offers a method for quantifying the degree of that consistency. In other words, the higher the alpha coefficient, the more the items have shared covariance and probably measure the same underlying concept.

Cronbach's alpha:

>0.7 – acceptable

>0.8 – good

>0.9 – excellent

Table 2.8

Reliability analysis

Factor	Cronbach's alpha
Functional value	0.769
Social value	0.829
Emotional value	0.865
Epistemic value	0.861
Conditional value	0.750
Intention to buy	0.773

Based on the analysis results, we observe that all factors within the scale demonstrate a high level of internal consistency reliability, with Cronbach's alpha values ranging from 0.750 to 0.865. This indicates that these factors serve as accurate measures of the intended constructs. It can be seen that the factors with the highest Cronbach's alpha are "Emotional value" and "Epistemic value". The lowest alpha score 0.750 is of "Conditional value", which is still more than needed threshold of 0.7.

It is worth noting that all construct were tested with item-total statistics with a column "Cronbach's alpha if item deleted", and in all cases the alpha would decrease if some of the items were deleted, meaning that all items should be kept for further analysis.

CHAPTER 3. DATA ANALYSIS AND RECOMMENDATIONS

3.1 Exploratory factor analysis

Exploratory Factor Analysis (EFA) is a statistical technique used to identify the underlying structure of a set of variables. It aims to uncover patterns or relationships among observed variables by reducing them to a smaller set of factors or latent variables. EFA is typically conducted when it is needed to explore the underlying dimensions or constructs that explain the correlations among observed variables. Before proceeding with Structural Equation Modeling (SEM), conducting EFA is used to ensure that the measurement model adequately represents the underlying constructs. In this work EFA was applied to every construct. As part of EFA, KMO and Bartlett's test of sphericity will be assessed. The Kaiser-Meyer-Olkin (KMO) test assesses the degree of partial correlation strength among variables. Higher KMO values, nearing 1.0, are deemed optimal, whereas values below 0.5 are deemed unsatisfactory. Bartlett's test of Sphericity evaluates whether the correlation matrix conforms to an identity matrix, indicating that variables are unrelated and unsuitable for factor analysis. The optimal p value should be < 0.05.

Table 3.1

Exploratory factor analysis

Factor	KMO	Bartlett's test	% of variance explained
Functional value	0.761 (>0.5)	0.000 (significant)	59.3% (more than 50%)
Social value	0.803 (>0.5)	0.000 (significant)	66.2% (more than 50%)
Emotional value	0.804 (>0.5)	0.000 (significant)	71.2% (more than 50%)
Epistemic value	0.872 (>0.5)	0.000 (significant)	59.1% (more than 50%)
Conditional value	0.746 (>0.5)	0.000 (significant)	57.4% (more than 50%)
Intention to buy	0.693 (>0.5)	0.000 (significant)	69.3% (more than 50%)

In all cases KMO is more than 0.5 and Bartlett's test is significant, meaning that the sample is adequate for conducting factor analysis. Moreover, according to Scree Plot and Total Variance Explained in each case there is only one dominant factor explaining the variance in the data.

3.2 Confirmatory factor analysis

Confirmatory Factor Analysis (CFA) is essential to validate theoretical models, confirming that measurements accurately represent the underlying constructs. CFA helps to compare different models to determine the best fit for the data, ensure that measurement instruments function consistently across different groups, and refine new measurement scales or instruments before broader use. In essence, CFA enhances the credibility and reliability of research findings by providing a framework to analyze and validate the relationships among observed variables and underlying constructs. Still, it is important to conduct a CFA analysis for each construct before moving to the full model analysis.

3.2.1 CFA for functional value

Figure 3.1

Confirmatory factor analysis for functional value

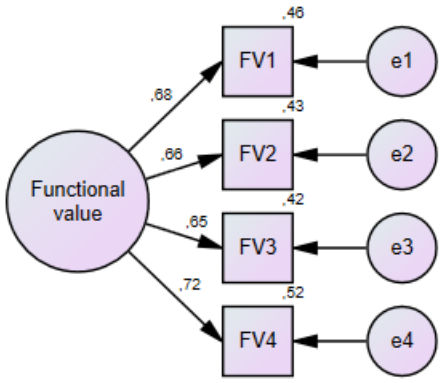


Table 3.2

Model fit for the construct

Construct	χ2	df	χ2/df (< 2)	p-value (>0.05)	GFI (> 0.9)	CFI (> 0.9)	RMSEA(<0.08) (pclose > 0.05)
Functional value	5.219	2	2.610	0.074	0.986	0.982	0.094 (0.165)

Despite the fact that χ2/df is more than 2 and RMSEA is more than 0.08, overall, the model has an adequate fit.

Convergent validity that indicates the degree of reconfirmation by items is met due to the fact that C.R. is more than 1.96 and standardized regression coefficients are more than 0.5.

Composite factor reliability is more than 0.7, while AVE is less than a threshold of 0.5. It indicates that there might be a problem with data validity.

Composite factor reliability	AVE (Average variance explained)
0.77 (should be >0.7)	0.46 (should be >0.5)

Overall functional value construct has an adequate model fit, which means that it could be used for future SEM.

3.2.2 CFA for social value

Figure 3.2

Confirmatory factor analysis for social value

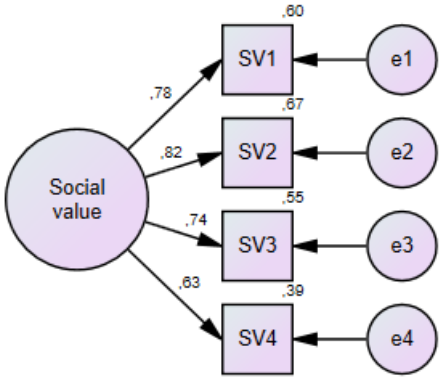


Table 3.3

Model fit for the construct

Construct	**χ2**	**df**	**χ2/df (< 2)**	**p-value (>0.05)**	**GFI (> 0.9)**	**CFI (> 0.9)**	**RMSEA(<0.08) (pclose > 0.05)**
Social value	0.932	2	0.466	0.628	0.997	1.0	0.0 (0.739)

The model demonstrates excellent fit with all values being almost perfect.

Convergent validity is also met because C.R. is more than 1.96 and standardized regression coefficients are more than 0.5.

Validity is also met due to the fact that Composite factor reliability is more than 0.7 and AVE is more than a threshold of 0.5.

Composite factor reliability	AVE (Average variance explained)
0.83 (should be >0.7)	0.56 (should be >0.5)

The construct social value has yet the best model fit among analyzed latent constructs.

3.2.3 CFA for emotional value

Figure 3.3

Confirmatory factor analysis for emotional value

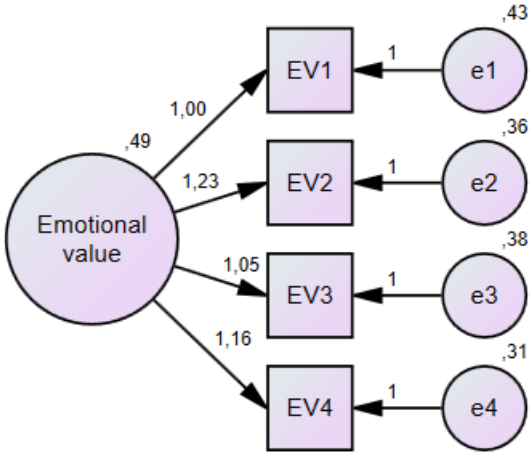


Table 3.4

Model fit for the construct

Construct	**χ2**	**df**	**χ2/df (< 2)**	**p-value (>0.05)**	**GFI (> 0.9)**	**CFI (> 0.9)**	**RMSEA(<0.08) (pclose > 0.05)**
Emotional value	8.365	2	4.183	0.015	0.979	0.981	0.133 (0.051)

Emotional value has an adequate fit overall due to the fact that GFI, CFI and pclose values are adequate, while others could be better. Convergent validity is met because C.R. is more than 1.96 and standardized regression coefficients are more than 0.5.

Validity is also met due to the fact that Composite factor reliability is more than 0.7 (0.87) and AVE is more than a threshold of 0.5 (0.62).

Composite factor reliability	AVE (Average variance explained)
0.87 (should be >0.7)	0.62 (should be >0.5)

3.2.4 CFA for epistemic value

Figure 3.4

Confirmatory factor analysis for epistemic value

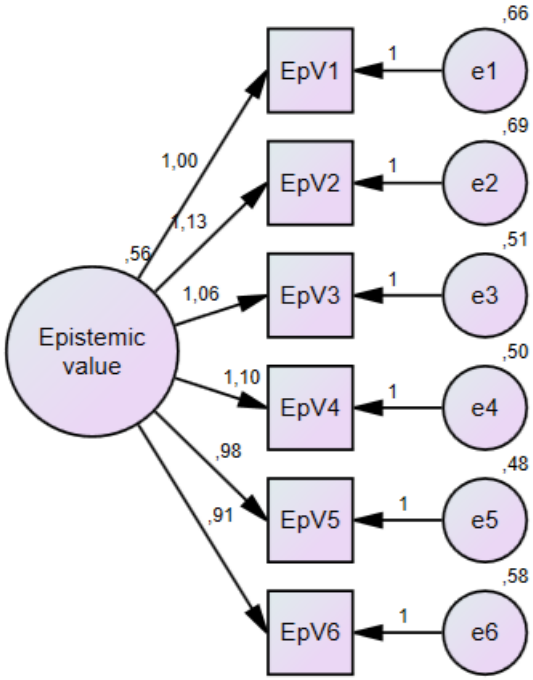


Table 3.5

Model fit for the construct

Construct	**χ2**	**df**	**χ2/df (< 2)**	**p-value (>0.05)**	**GFI (> 0.9)**	**CFI (> 0.9)**	**RMSEA(<0.08) (pclose > 0.05)**
Epistemic value	20.056	9	2.228	0.018	0.964	0.974	0.082 (0.121)

Epistemic value has a good model fit. All the values are close or better than threshold. Convergent validity is met because C.R. is more than 1.96 and standardized regression coefficients are more than 0.5.

Validity is also met due to the fact that Composite factor reliability is more than 0.7 (0.86) and AVE is more than a threshold of 0.5 (0.51).

Composite factor reliability	AVE (Average variance explained)
0.86 (should be >0.7)	0.51 (should be >0.5)

3.2.5 CFA for conditional value

Figure 3.5

Confirmatory factor analysis for conditional value

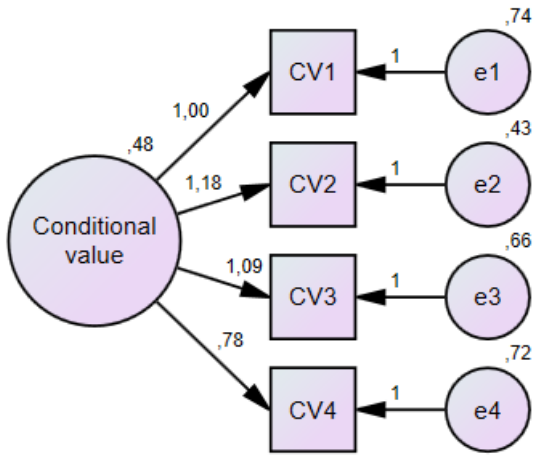


Table 3.6

Model fit for the construct

Construct	**χ2**	**df**	**χ2/df (< 2)**	**p-value (>0.05)**	**GFI (> 0.9)**	**CFI (> 0.9)**	**RMSEA(<0.08) (pclose > 0.05)**
Conditional value	3.720	2	1.860	0.156	0.990	0.989	0.069 (0.284)

Conditional value construct has a perfect fit for among all values, confirming that there is a good fit between the model and theory. Convergent validity is met because C.R. is more than 1.96 and standardized regression coefficients are more than 0.5.

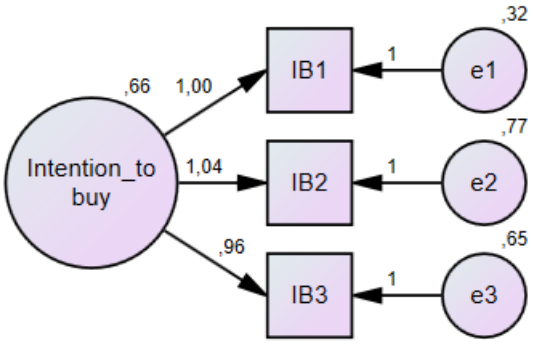
At the same time AVE is less than needed, which might indicate a problem with validity.

Composite factor reliability	AVE (Average variance explained)
0.75 (should be >0.7)	0.44 (should be >0.5)

3.2.6 CFA for intention to buy

Figure 3.6

Confirmatory factor analysis for intention to buy



In this model Df is not enough because there are only 3 items. This is why yet model fit could not be assessed. This problem will be resolved during a full model testing. However, validity could be assessed. Composite reliability, AVE and Convergent validity is met because all values are above the thresholds.

CR (should be more than 0.7)	AVE (should be more than 0.5)	C.R. (more than 1.96)
0.78	0.55	met criterion

3.2.6 Overall model fit of all constructs

Table 3.7

Model fit for all the constructs

Construct	**χ2**	**df**	**χ2/df (< 2)**	**p-value (>0.05)**	**GFI (> 0.9)**	**CFI (> 0.9)**	**RMSEA(<0.08) (pclose > 0.05)**
Functional value	5.219	2	2.610	0.074	0.986	0.982	0.094 (0.165)
Social value	0.932	2	0.466	0.628	0.997	1.0	0.0 (0.739)
Emotional value	8.365	2	4.183	0.015	0.979	0.981	0.133 (0.051)
Epistemic value	20.056	9	2.228	0.018	0.964	0.974	0.082 (0.121)
Conditional value	3.720	2	1.860	0.156	0.990	0.989	0.069 (0.284)
Intention to buy	Yet could not be identified because of small number of constructs						

Overall goodness of fit of all the constructs is adequate. It is recommended to move to the simultaneous CFA.

3.3 Simultaneous CFA

Simultaneous Confirmatory Factor Analysis (CFA) is conducted before testing the full structural model in SEM. It ensures that the chosen indicators accurately represent the underlying constructs and identifies any measurement issues. By evaluating the fit of the measurement model, the construct validity could be established, which would be a foundation for future model.

Figure 3.6

Simultaneous confirmatory factor analysis

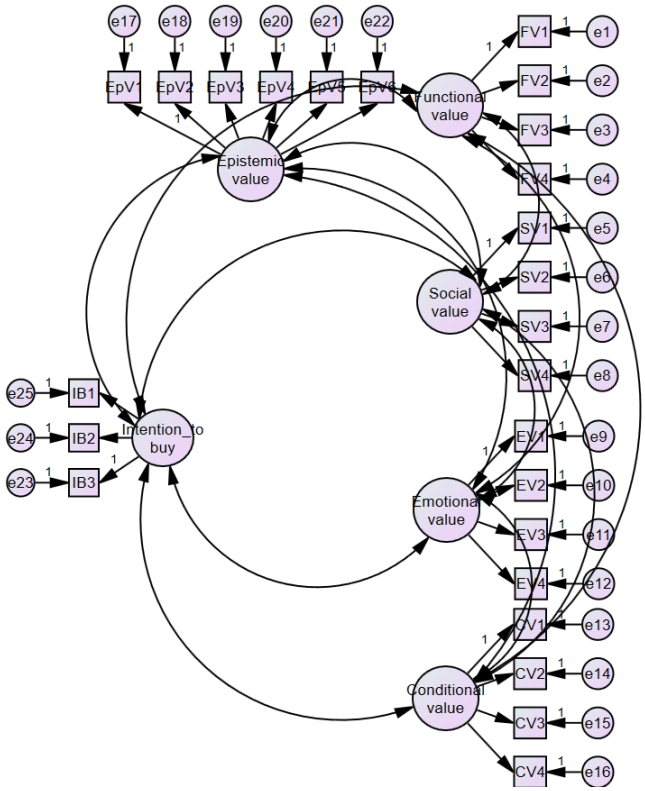


Table 3.8

Model fit for simultaneous CFA

Construct	χ2	df	χ2/df (< 2)	p-value (>0.05)	GFI (> 0.9)	CFI (> 0.9)	RMSEA(<0.08) (pclose > 0.05)
Simultaneous CFA	393.305	260	1.513	0.0	0.858	0.937	0.053 (0.303)

There is a good fit between the model and the data as $\chi 2/df$, CFI, RMSEA, pclose values meet the requirement. However, there is a room for improvement because p is less than 0.05 and GFI is less than 0.9.

The next step is to check discriminant validity. It could be checked through Fornell & Larcker criterion. This criterion is met when squared correlations between construct is less than AVE.

Table 3.9

Discriminant validity of the model

Construct	1	2	3	4	5	6
Functional value	**0.46 (AVE1)**	0.40 (r^2)	0.42 (r^2)	0.31 (r^2)	0.25 (r^2)	0.40 (r^2)
Social value	0.40 (r^2)	**0.56 (AVE2)**	0.48 (r^2)	0.28 (r^2)	0.16 (r^2)	0.42 (r^2)
Emotional value	0.42 (r^2)	0.48 (r^2)	**0.62 (AVE3)**	0.34 (r^2)	0.37 (r^2)	0.43 (r^2)
Epistemic value	0.31 (r^2)	0.28 (r^2)	0.34 (r^2)	**0.51 (AVE4)**	0.41 (r^2)	0.33 (r^2)
Conditional value	0.25 (r^2)	0.16 (r^2)	0.37 (r^2)	0.41 (r^2)	**0.44 (AVE5)**	0.42 (r^2)
Intention to buy	0.40 (r^2)	0.42 (r^2)	0.43 (r^2)	0.33 (r^2)	0.42 (r^2)	**0.55 (AVE6)**

As this condition is fully satisfied, discriminant validity can be assumed passed for all of the pairs in this model.

Having successfully established the adequacy of the measurement model through simultaneous Confirmatory Factor Analysis (CFA), it can be proceed to full Structural Equation Modeling (SEM) to further explore relationships among latent constructs and observed variables in the research framework.

3.4 Full Structural equation modeling

In order to support or reject hypotheses from the theoretical part it is important to build SEM. SEM will show what effect independent construct have on the dependent one (intention to buy).

Figure 3.7

Structural equation modeling

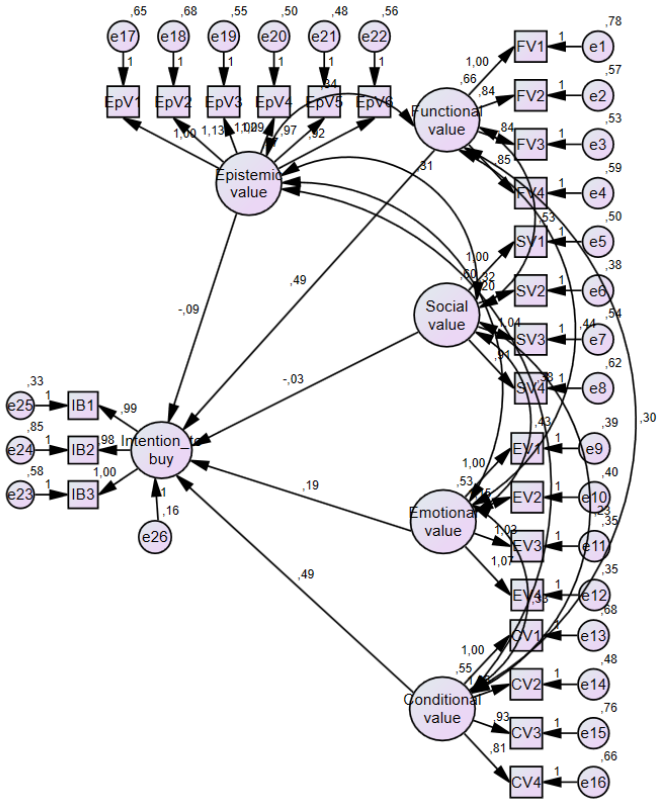


Table 3.10

Model fit for SEM

Construct	χ2	df	χ2/df (< 2)	p-value (>0.05)	GFI (> 0.9)	CFI (> 0.9)	RMSEA(<0.08) (pclose > 0.05)
SEM	393.305	260	1.513	0.0	0.858	0.937	0.053 (0.303)

The model demonstrates a satisfactory fit with the data, as evidenced by the χ^2/df, CFI, RMSEA, and pclose values meeting the criteria. However, there remains room for enhancement, indicated by the p-value being less than 0.05 and the GFI falling below 0.9.

Based on the regression weights it could be seen that only functional values and conditional value have a significant positive impact on the dependent variable (intention to buy)

Effect direction	Standardized regression weight	P value (significance)
Intention to buy <--- Functional value	0.492	0.012 (significant)
Intention to buy <--- Social value	-0.025	0.894 (insignificant)
Intention to buy <--- Emotional value	0.168	0.245 (insignificant)
Intention to buy <--- Epistemic value	-0.082	0.453 (insignificant)
Intention to buy <--- Conditional value	0.442	0.001 (significant)

At the same time, social, emotional and epistemic values do not produce a significant impact on the dependent variable (intention to buy).

3.5 Initial hypotheses testing

The following hypothesis were stated from the theoretical part of the research:

H1: Functional value has a significant positive effect on the intention to buy parallel imported goods.

H2: Social value has a significant positive effect on the intention to buy parallel imported goods.

H3: Emotional value has a significant positive effect on the intention to buy parallel imported goods.

H4: Epistemic value has a significant positive effect on the intention to buy parallel imported goods.

H5: Conditional value has a significant positive effect on the intention to buy parallel imported goods.

In this analysis, the impact of various dimensions of consumer values were investigated with regard to how they influence the intention to purchase parallel imported goods. It was observed during structural equation modeling that only functional and conditional values have a significant effect on the dependent variable. *Hence, H1 and H5 are confirmed.*

However, contrary to expectations, the hypotheses related to social, emotional, and epistemic value did not demonstrate significant positive effects on consumers' decisions to buy parallel imported goods. These dimensions, which include social status associated with the product, the emotional feeling from using the product and the feeling of experiencing new things did not have significant influence on the intention to buy parallel imported goods. *Hence, H2, H3, H4 are rejected.*

3.6 Discussion and implications

3.6.1 Theoretical contribution

This study makes a considerable theoretical contribution to the understanding of consumer behavior in the context of parallel imported goods, specifically within the Russian market. The central focus of this research was to explore the readiness of consumers to support and trust parallel import schemes. By investigating contemporary consumer attitudes and behaviors, this gained understanding on the acceptance and future purchasing intentions related to parallel imports.

The primary theoretical contribution of this work is within the empirical examination of consumer readiness and trust towards parallel import schemes. The findings reveal that a substantial proportion of Russian consumers, approximately two-thirds are planning to purchase parallel imported goods in the future. This indicates a significant level of acceptance and willingness to engage with these schemes, challenging existing assumptions about consumer bias towards non-traditional retail channels.

This study extends the theory of consumption values by applying it to the specific context of parallel imported goods. The theory of consumption values implies that consumer choices are influenced by functional, social, emotional, epistemic, and conditional values. The findings suggest that these values play a critical role in shaping consumer attitudes towards parallel imports.

3.6.2 Managerial implications

Understanding what values are important for Russian consumers can help Russian companies to highlight important things for consumers. Considering the fact that functional value has a significant positive effect on the intention to buy parallel imported goods mean that Russian consumers think of parallel imported goods as of those that have better functionality in terms of performance, reliability and quality. Since this value makes them buy parallel imported goods, Russian companies could use this knowledge. By putting a lot of attention to functional development of products and investing more money in R&D – Russian companies could improve the quality and performance of goods produced in Russia, making them more appealing to Russian customers. If Russian customers see that goods produced in Russia have similar performance, durability and quality – they might decide to buy them instead of foreign goods brought by parallel import.

Understanding the importance of conditional value for Russian consumers can provide valuable insights for Russian companies seeking to effectively target their offerings. The fact that conditional value significantly influences the decision to purchase parallel imported goods

suggests that Russian consumers place high value on specific situational factors when making purchasing decisions. For instance, factors such as pricing, availability, timing, and unique product features may significantly impact their perceptions of value and influence their purchasing behavior.

Given the significance of conditional value in driving consumer decisions, Russian companies can leverage this knowledge to enhance their market positioning and attract more customers. One strategic approach could involve optimizing pricing strategies to reflect the perceived value of parallel imported goods in different situational contexts. By offering competitive pricing that are similar with consumers' expectations and preferences, businesses can increase the attractiveness of their products and encourage consumers to choose them over parallel imports. Furthermore, Russian companies can get more customers by creating a sense of urgency. This could include using factors such as product availability, timing of promotions, and unique product features to create a sense of exclusivity and desirability among consumers. By strategically aligning their marketing communications and product offerings with consumers' situational needs and preferences, Russian companies can effectively highlight the conditional value of their products and differentiate themselves from competitors in the marketplace.

In conclusion, understanding and effectively using both functional and conditional values are essential for Russian companies operating in the parallel import market to remain competitive and meet the needs of consumers. By prioritizing the development of products that align with consumers' preferences for functionality, quality, and reliability, Russian companies can enhance the attractiveness of domestically produced goods and potentially capture market share from parallel imports. Additionally, by strategically addressing situational factors such as pricing, availability, and unique product features, Russian companies can differentiate their offerings that will resonate with consumers. Ultimately, by adapting their R&D goals, pricing tactics, and product offerings to reflect consumers' values and preferences, Russian companies can have a competitive advantage of parallel imported goods.

3.7 Limitations and further research

While this study provides valuable insights into the theory of consumption values in the context of parallel imported goods in Russia, several limitations should be acknowledged. These limitations may influence the interpretation of the findings and suggest areas for future research.

One significant limitation is the demographics of the sample. Approximately 90% of the respondents are individuals no older than 25 years old. This age concentration presents a limitation as it may not accurately represent the broader population of consumers in Russia. Younger consumers might have distinct preferences, attitudes, and behaviors towards parallel imported goods compared to older age groups. Their consumption values and decision-making processes may differ significantly due to factors such as level of education, brand loyalty, income and cultural influences.

Future research should aim to address this limitation by ensuring a more balanced age distribution among respondents. Including a more diverse age range would make it possible to generalize the results to a broader population and provide a more comprehensive understanding of the consumption values across different age groups. Additionally, it would be beneficial to explore whether the observed trends and patterns hold true for older consumers or if distinct trends exist.

Additionally, this study used a quantitative approach, which, while useful for identifying trends and patterns, may not capture the depth of consumer motivations and attitudes. Future research could benefit from using qualitative methods such as interviews and focus groups. These methods could provide more detailed insights into the underlying reasons that drive consumer behavior towards parallel imported goods. Qualitative research could reveal perspectives and contextual factors that quantitative data might not identify, hence offering a more comprehensive understanding of consumer values and decision-making processes.

CONCLUSION

This master thesis was devoted to explore the consumption value factors influencing the intention of Russian consumers to buy parallel imported goods and, based on these findings, to formulate practical recommendations for Russian companies. Through a comprehensive analysis, this research provides valuable insights into consumer behavior towards parallel imports, contributing both theoretically and practically to the field.

In the first chapter, an overview of parallel import was provided, discussing its significance and implications in the global market, with a specific focus on Russia. The theoretical foundation of this work was the theory of consumption values. This theory has not only been tested in multiple contexts of consumer behavior, but it also provides comprehensive approach to investigating the root causes of Russian customers and their intention to buy parallel imported goods.

The second chapter detailed the methodology used in this study. Building on the TCV, the model was proposed to test the consumption values in relation to parallel import in Russia. This chapter described the process of data collection through a questionnaire via google form in Telegram and Vkontakte. The collected data sample was checked using descriptive statistics and Cronbach's alpha coefficient to ensure that the data is valid and reliable. The methodological tests applied in this chapter ensured that the future analysis was based on a high-quality data, which is essential for future findings.

In the third chapter, an extensive data analysis was conducted using various statistical techniques. This included Exploratory Factor Analysis (EFA), Confirmatory Factor Analysis (CFA), simultaneous CFA, and Structural Equation Modeling (SEM). Through these analyses, it was discovered that functional and conditional values have a significant positive effect on the intention to purchase parallel imported goods. This finding highlights the importance of practical benefits and situational factors in shaping consumer intentions. Additionally, the theoretical and practical contributions of the work were discussed. Theoretically, this research highlights the readiness of Russian consumers to choose non-traditional retail channels in the future, while practically, it provides actionable insights for Russian producers to understand and leverage obtained information in order to make local goods more appealing to Russian customers.

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APPENDIX

Questionnaire

Functional value	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Parallel imported goods help me save time and effort due to better performance					
Parallel imported goods meet my needs					
Parallel imported goods simplify my daily tasks and routines					
I believe that parallel imported goods have more features					
Social value					
I think others most likely expect me to buy and to use original western goods					
I think that my friends rather approve my use of original western goods					
I think that people whose opinion is important to me buy original western goods					
I think that original western goods are popular among my peers					
Emotional value					
Original western goods provide me with a pleasant experience					
I like the interface and design of original western goods					
Using original western goods gives me a sense of satisfaction					
In general, using original western goods brings me joy					
Epistemic value					
Compared with local goods, parallel imported goods are radically different					

Compared with local goods, parallel imported goods can be considered as revolutionary					
Compared with local goods, parallel imported goods are really “out of the ordinary”					
Compared with local goods, parallel imported goods provide something not commonly found					
Compared with local goods, parallel imported goods incorporate new ideas/concepts					
Compared with local goods, parallel imported goods have unique features					
Conditional value					
I would buy parallel imported goods instead of local or fake ones under worsening economic conditions					
I would buy parallel imported goods if they were available					
I would buy parallel imported goods if local ones couldn’t satisfy my needs					
The suitability of parallel imported goods for specific needs or circumstances greatly influences my decision to purchase them					
Intention to buy					
I will try to buy parallel imported goods as they are imported					
In the next 3 months, I will most likely to buy parallel imported goods					
I plan to buy parallel imported goods in the future					

Frequency tables

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	female	59	32,4	32,4	32,4
	male	123	67,6	67,6	100,0
	Total	182	100,0	100,0	

Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-25	164	90,1	90,1	90,1
	26-35	15	8,2	8,2	98,4
	36 and more	3	1,6	1,6	100,0
	Total	182	100,0	100,0	

Education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Secondary	4	2,2	2,2	2,2
	Unfinished higher	54	29,7	29,7	31,9
	Higher	124	68,1	68,1	100,0
	Total	182	100,0	100,0	

Reliability analysis

Functional value

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
,829	,829	4

Social value

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
,829	,829	4

Emotional value

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
,865	,865	4

Epistemic value

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
,829	,829	4

Conditional value

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
,829	,829	4

Intention to buy

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
,829	,829	4

Exploratory factor analysis

Functional value

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
,829	,829	4

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2,374	59,345	59,345	2,374	59,345	59,345
2	,630	15,745	75,090			
3	,557	13,913	89,003			
4	,440	10,997	100,000			

Extraction Method: Principal Component Analysis.

Social value

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		,803
Bartlett's Test of Sphericity	Approx. Chi-Square	265,303
	df	6
	Sig.	,000

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2,649	66,236	66,236	2,649	66,236	66,236
2	,581	14,536	80,772			
3	,410	10,243	91,015			
4	,359	8,985	100,000			

Extraction Method: Principal Component Analysis.

Emotional value

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		,804
Bartlett's Test of Sphericity	Approx. Chi-Square	338,683
	df	6
	Sig.	,000

Total Variance Explained

	Initial Eigenvalues			Extraction Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2,849	71,213	71,213	2,849	71,213	71,213
2	,469	11,734	82,947			
3	,402	10,061	93,007			
4	,280	6,993	100,000			

Extraction Method: Principal Component Analysis.

Epistemic value

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		,872
Bartlett's Test of Sphericity	Approx. Chi-Square	432,423
	df	15
	Sig.	,000

Total Variance Explained

	Initial Eigenvalues			Extraction Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3,547	59,123	59,123	3,547	59,123	59,123
2	,694	11,562	70,686			
3	,523	8,715	79,401			
4	,454	7,566	86,967			
5	,433	7,211	94,178			
6	,349	5,822	100,000			

Extraction Method: Principal Component Analysis.

Conditional value

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		,746
Bartlett's Test of Sphericity	Approx. Chi-Square	165,940
	df	6
	Sig.	,000

Total Variance Explained

	Initial Eigenvalues			Extraction Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2,295	57,367	57,367	2,295	57,367	57,367
2	,717	17,933	75,300			
3	,556	13,897	89,197			
4	,432	10,803	100,000			

Extraction Method: Principal Component Analysis.

Intention to buy

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		,693
Bartlett's Test of Sphericity	Approx. Chi-Square	150,533
	df	3
	Sig.	,000

Total Variance Explained

	Initial Eigenvalues			Extraction Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2,082	69,397	69,397	2,082	69,397	69,397
2	,517	17,244	86,641			
3	,401	13,359	100,000			

Extraction Method: Principal Component Analysis.

Final SEM regression weights

Regression Weights: (Group number 1 - Default model)

			Estimate	S.E.	C.R.	P	Label
Intention_to_buy	<---	Epistemic_value	-,089	,119	-,751	,453	
Intention_to_buy	<---	Functional_value	,494	,196	2,517	,012	
Intention_to_buy	<---	Social_value	-,027	,203	-,133	,894	
Intention_to_buy	<---	Emotional_value	,188	,161	1,163	,245	
Intention_to_buy	<---	Conditional_value	,487	,151	3,234	,001	
FV1	<---	Functional_value	1,000				
FV2	<---	Functional_value	,845	,108	7,842	***	
FV3	<---	Functional_value	,842	,106	7,962	***	
FV4	<---	Functional_value	,848	,109	7,808	***	
SV1	<---	Social_value	1,000				
SV2	<---	Social_value	1,195	,112	10,632	***	
SV3	<---	Social_value	1,036	,109	9,462	***	
SV4	<---	Social_value	,911	,106	8,576	***	
EV1	<---	Emotional_value	1,000				
EV2	<---	Emotional_value	1,149	,106	10,801	***	
EV3	<---	Emotional_value	1,035	,097	10,649	***	
EV4	<---	Emotional_value	1,072	,099	10,795	***	
CV1	<---	Conditional_value	1,000				
CV2	<---	Conditional_value	1,060	,132	8,053	***	
CV3	<---	Conditional_value	,931	,133	6,980	***	
CV4	<---	Conditional_value	,813	,120	6,751	***	
EpV1	<---	Epistemic_value	1,000				
EpV2	<---	Epistemic_value	1,131	,132	8,549	***	
EpV3	<---	Epistemic_value	1,019	,119	8,564	***	
EpV4	<---	Epistemic_value	1,091	,122	8,958	***	
EpV5	<---	Epistemic_value	,971	,113	8,607	***	
EpV6	<---	Epistemic_value	,924	,113	8,150	***	
IB3	<---	Intention_to_buy	1,000				
IB2	<---	Intention_to_buy	,985	,121	8,149	***	
IB1	<---	Intention_to_buy	,992	,101	9,863	***	

Standardized Regression Weights: (Group number 1 - Default model)

			Estimate
Intention_to_buy	<---	Epistemic_value	-,082
Intention_to_buy	<---	Functional_value	,492
Intention_to_buy	<---	Social_value	-,025
Intention_to_buy	<---	Emotional_value	,168
Intention_to_buy	<---	Conditional_value	,442
FV1	<---	Functional_value	,679
FV2	<---	Functional_value	,673
FV3	<---	Functional_value	,685
FV4	<---	Functional_value	,669
SV1	<---	Social_value	,738
SV2	<---	Social_value	,830
SV3	<---	Social_value	,736
SV4	<---	Social_value	,668
EV1	<---	Emotional_value	,759
EV2	<---	Emotional_value	,798
EV3	<---	Emotional_value	,788
EV4	<---	Emotional_value	,798
CV1	<---	Conditional_value	,668
CV2	<---	Conditional_value	,750
CV3	<---	Conditional_value	,620
CV4	<---	Conditional_value	,596
EpV1	<---	Epistemic_value	,683
EpV2	<---	Epistemic_value	,719
EpV3	<---	Epistemic_value	,720
EpV4	<---	Epistemic_value	,759
EpV5	<---	Epistemic_value	,724
EpV6	<---	Epistemic_value	,681
IB3	<---	Intention_to_buy	,729
IB2	<---	Intention_to_buy	,658
IB1	<---	Intention_to_buy	,816