

INFLUENCE OF REGIONAL ORGANIZATIONS ON CONSUMERS PREFERENCES: THE DAIRY MARKET OF EURASIAN CUSTOM UNION

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ABSTRACT

The establishment of the Eurasian Custom Union created a common market in Russia, Belorussia and Kazakhstan and increased trade flows among the countries. Elimination of trade barriers among countries of the union changed the market landscape due to on one hand, the producers from the countries achieving competitive advantages against producers from countries outside the union; on the other hand, competition within the union increased. These changes in turn impact purchasing habits of consumers. This paper explores the influence of regional integration on consumer attitudes toward domestic products. A survey was conducted to examine consumer attitudes toward domestic and foreign dairy products in markets of Russia, Kazakhstan and Belorussia before and after the establishment of Eurasian Custom Union. The survey also compared the influence of the Eurasian Custom Union on the attitude of consumers from different social groups segmented by gender, age, country of residence, income level and ethnic belonging. The results of the survey reveal that there were some differences in perception of changes in diversity of dairy products by consumers from different ethnic groups but it was not statistically significant.

Keywords: Eurasian Customs Union, Eastern Europe, Regional Integration

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INTRODUCTION

The Eurasian Custom Union is the first regional organization in the former USSR territory which provides not only declarative functions but institutions that allow minimizing trade barriers among member countries and developing common customs legislation (Yesdauletova and Yesdauletov, 2014). The creation of this regional organization between Russia, Belorussia and Kazakhstan creates a common market that embraces around 170 million consumers, with scope for further integration from other countries. Mitigation of trade barriers among member countries increases competitive advantage of products within the region against those imported from outside the union. It also increases the diversity of products that are available within the common market and also may impact the perception of the country of origin of products. Hence consideration of the influence that the ECU establishment provides on consumers perceptions becomes significant and will be examined in the context of one sector – the ECU dairy market.

BACKGROUND

Reducing trade barriers facilitates international trade. However as Peng (2011) points out, despite tariffs mitigation, countries often still continue to impose non-tariff barriers which also harm international trade. The non-tariff barriers challenges were taken up by the World Trade Organisation (WTO), but Martin and Anderson (2008) point out that the collapse of WTO Doha round showed that countries were not ready for the elimination of all trade barriers, citing regional organisations as major obstacles. Elimination of trade barriers and establishing mutual custom and economic legislation among members of a regional organization creates common markets within the borders of the regional organization, but trade barriers are still retained for other countries. This presents competitive advantages for companies within that grouping and facilitates increasing trade flows among member countries.

Elimination of trade barriers has also impacted dairy markets of countries involved in the ECU. Tetra Pak (2014) for example, whilst retaining a majority market share in domestic milk products in Kazakhstan, has seen its share decreasing as a result of pressure from products imported from

other countries of the ECU. At the same time Tetra Pak (2011) research showed that consumers' preferences have shifted from loose milk to packed milk products with a forecast share of packed milk of 87% in 2016. In other words consumers switch to dairy products with a longer expiration date. This change of consumers' preferences along with mitigation of trade barriers among participants of the ECU increase opportunities for trade of processed dairy products among countries of the union.

Whilst the Eurasian Custom Union eliminates trade barriers and creates a common market with similar rules, tariffs imposed for non-members decrease the competitive abilities of goods that are imported into the union. These aspects change the diversity of products presented in the ECU market and as result also impact consumers' perceptions of the products. Thus tension on imported goods is increased and may erode market shares of imported goods and change consumers' preferences to domestic goods or goods produced within the union. However in spite of tension on imported goods, consumers may continue adherence to imported products as result of brand loyalty or perception of imported products as ones with higher quality.

Consumers' preferences also may be impacted by such factors as familiarity with goods or perception of brand image that also may be related with a product's country of origin. As Balabanis, Mueller and Melewar (2002) point out, consumers' perceptions may be influenced by such internal factors as consumers' culture, ethnocentrism and nationalism, which may reduce competitive advantage of imported goods even if the goods have better quality and lower price. At the same time, establishing a regional organization may impact the attitude of the population toward countries involved in the organization. As a result, consumers' perceptions of products produced within countries that have joined may also be changed.

Pharr (2005) considers the influence of country of origin image on consumers' perceptions and concludes that consumers' perceptions may be influenced by composition of products. In other words, a consumer may positively perceive finished goods assembled from raw materials or parts produced in the consumer's country. This

increase of economic integration of countries that are involved in the regional organization may lead to changes of consumers' attitudes toward products produced within the countries, or products that consist of domestic raw materials or semi-finished commodities. The change of consumers' attitudes to products in turn may lead to changes of a company's market share and necessitate that the company to reconsider its marketing strategy. Hence it is important to consider the influence that the establishment of regional organizations exerts on consumers from a practical as well as from an academic point of view.

This research has 3 broad objectives: (1) general perception of changes in the dairy market of the ECU, (2) changes of attitudes toward products that are produced in countries of the custom union and (3) changes in the evaluation of products that are imported from non-member countries.

The broad objectives in turn consider the existence and changes of aspects that may impact on consumers attitudes; thus the aspects are (1) changes in habits of dairy products consumption (2) evaluation of products by consumers regarding the image of products' country of origin, (3) changes in consumers' attitudes toward products' quality, (4) the influence of consumers' ethnocentrism on their attitude toward domestic products, products imported from the countries of the participants and non-participants of the organization, and (5) the influence of consumers' nationalism on their willingness to purchase products that are imported from certain countries.

LITERATURE REVIEW

The research underpinning is provided through two main theoretical aspects: (1) the influence of regional organizations on member countries and (2) the influence on consumers' perceptions between domestic goods and goods that are imported into consumers' countries.

Globalization and Regional Organizations

Trade liberalization

Eun and Resnick (2009) pointed out that liberalization of international trade enhances the welfare of populations. The authors base this conclusion upon the theory of comparative

advantage, which argues that a country accrues more benefits by concentrating its efforts on those products that it produces most efficiently, and importing those products produced more efficiently elsewhere. Thus, the reduction or elimination of trade barriers positively impacts trade flows and the welfare of countries involved in the process. Eun and Resnick (2009) also point that whilst trade barrier elimination is the main goal of such international organizations as the WTO, which works on reducing or eliminating tariffs and non-tariff trade barriers, the WTO also provides arbitration in trade disputes.

Peng (2011) also highlights that the nondiscrimination requirements of the WTO positively impact global trade, as WTO members cannot eliminate trade barriers only to one of their partners, but such a rule has an exception that relates to trade liberalization with partners from regional organizations. Thus, despite that a country may be member of WTO, the country simultaneously may have a different level of trade liberalization within regional organizations and other members of the WTO. Peng (2011) provides an example of regional integration such as the European Union and NAFTA, and concludes that these regional organizations positively impact trade relationships among members, which is reflected in increasing trade flows among countries involved in the organizations. Thus regional organizations provide many benefits such as reduction in trade barriers, trade disputes resolution, establishing of common rules and elimination of discrimination within the organizations.

Motives of regionalism

Baldwin (1993) considers the influence of regionalism on population living standards, multilateral and bilateral trade and global trade systems through domino theory. Domino theory is based on the notion that reduction of trade barriers among participants of a regional organization is the main force which changes the political and economic situation in the region, in a way that encourages neighboring countries of the region to strive to participate in the regional organization. As a result of such influence of regional organizations on countries, many countries in the contemporary world participate in

regional organizations with different levels of integration (Baldwin, 1993).

On the basis of domino theory and the overview of regionalism history, Baldwin (1997) concludes that regionalism needs to be viewed as a vital step towards global trade liberalization, rather than as a stumbling block which harms global trade. The authors support his conclusion by highlighting the fact that striving of non-participants to join with regional organizations leads to the expansion of regional organizations and as result, trade barrier reduction on a global scale.

Baldwin (1997) also points that a decision about participation in regional organizations may be determined by supply and demand equalizing. Hence two main forces that may encourage a country participating in regional organizations are importers and exporters that operate in the country. Companies that export goods into a regional organization with high probability will support integration with the regional organization (Baccini and Dür, 2012). Simultaneously new members joining regional organizations increase inter group rivalry, causing export oriented forces to insist on increase of trade liberalization with non-member countries. Thus tension from exporters along with non-discriminative principals of WTO may lead to elimination of barriers imposed by regional organizations against third countries.

However Wei and Frankel (1996) point that despite regionalism being considered as a step towards further multilateral trade liberalization, tariffs imposed in attempt to achieve political aims present traps that reduce possibilities for further trade liberalization with countries from outside of regional organizations. But the authors also point that trade liberalization among members of regional organizations creates opportunities for recognition benefits provided by the liberalization, which along with political struggle nevertheless may facilitate further trade liberalization.

Vernon (1996) also supports the idea that in spite of politically motivated barriers for multilateral trade harming trade with external countries, regional organizations reveal opportunities of trade liberalization with other countries, which leads to increasing tension from population of the region to further liberalization of trade. As result politically motivated barriers for

trade with countries from outside of the region could be reduced. Thus the authors conclude that regional organizations, besides providing trade liberalization among their members, also prepare ground for further multilateral trade liberalization and need to be seen as facilitators for global trade liberalization rather than entities which hinder multilateral trade.

Wei and Frankel (1998) compared trade volumes among participants and non-participants of continental trade blocs before and after regional organizations establishment. On the bases of the comparison they developed a theoretical model which showed that in spite of warnings about harm due to establishment of a regional organization, trade liberalization within the organization will be welfare improving. This state will valid until trade volume with non-members of the organization is higher than 14-15% of trade volume within the organization. Thus members of regional organizations strive to reduce external barriers to maintain appropriate import levels which are necessary to support balance of internal and external trade.

Mansfield and Reinhardt (2003) conclude that participation in WTO rather encourages joining of countries to regional organizations. Joining countries in regional organizations allows the countries to increase bargaining power, which increases ability of the countries in protecting their common interests. However the authors note that creation of preferential trade areas (PTA) within WTO does not mean trade barriers increasing for countries that are not involved in PTA; instead, PTA within WTO significantly decreases trade barriers among its members, which allows increasing trade flows within the PTA area.

Pros and cons of regionalism

Although regional organizations provide opportunities for countries involved in the organizations and prepare ground for further trade liberalization, the organizations, especially custom unions and economic unions, still impose tariffs as well as non-tariff barriers on goods imported from non-member countries. In other words regionalism may still hold back trade liberalization and reduce opportunities related to liberalized multilateral global trade (Panagariya, 1999). Further, on the drawbacks of regionalism,

Panagariya (1999) points out regional unions present stumbling blocks to multilateral trade liberalization. This view is based on the conclusion that political forces in countries of a regional organization may gain more political benefits from protection of internal markets through imposition of tariffs or non-tariff barriers, by minimizing rivalry for goods imported into the regional organization.

Brummer (2007) also argues that regional organizations may harm not only multilateral but also bilateral trade. He suggests that regional organizations limit opportunities for bilateral trade due to the imposition of common rules which limit the ability of member countries to unilaterally eliminate trade barriers with non-member countries. Thus Brummer (2007) showed that bilateral trade liberalization is actually more beneficial in the long run than participation in regional unions because such collaboration allows countries to negotiate trade barriers elimination more flexibly. The countries that are involved in bilateral trade agreements may support different industries through bilateral elimination of trade barriers with countries that supply the industries with materials or have demands on products produced by the industries. But the author also points out that it does not mean that bilateral trade would be always the most beneficial form of collaboration, and that participation in regional organizations may bring more benefits than bilateral trade agreements in some cases. For example, regional organizations may expend resources on the development of certain industries for equalizing the level of development among member countries.

Martin and Anderson (2008) argue that one of the main reasons for the collapse of the WTO's Doha round of negotiations was the influence that regional organizations exerted on global trade liberalization. One of the main obstacles preventing the WTO from implementing further trade barrier elimination was non-tariff barriers exerted by such regional organizations as the EU and NAFTA. The barriers did not allow developing countries to compete on favorable terms in the organizations' foodstuff industries. This in turn led to the unwillingness of developing countries to assume greater responsibility for developed country intellectual property protection, leading to

the adjournment of further negotiations (Martin and Anderson, 2008). Peng (2011) and Brummer (2007) also note that the collapse of the Doha round in turn spurred the creation of regional organizations around the world.

Lamy (2002) points out that when a regional organization consists of countries with different economic development levels, this creates a condition for the appearance of inequality in benefits that organizations' members may gain from participation in the organization. But even in the case of such inequality, less developed countries still may gain opportunities for a higher pace of economic development due to gaining access to the larger market of more developed countries. More recently, Yesdauletova and Yesdauletov (2014) indicate that inequality in the development of countries involved in the CIS, along with the political aspects, became the main factors that led to the inability of countries to reorganize this regional organization in such way that would allow higher economic integration among a majority of CIS countries. The authors note that the functions of the CIS are mainly declarative and not backed by strong institutions which could increase economic integration in the region.

As Libman and Vinokurov (2012) point out, the process of the Eurasian Custom Union of having only three countries from the CIS was due to these countries having somewhat similar levels of economic development. Comparing different regional organizations from the CIS area, the authors note that the ECU is the first regional organization in the CIS area that provides real integration among members. The integration in turn positively impacts the flow of goods among countries, increases market rivalry, and leads to increased product diversity. Thus, although regional organizations may harm multilateral or bilateral trade, participation of countries in the organizations positively impacts the welfare of the population (Eun and Resnick, 2009; Peng, 2011). However, Panagariya (1999) points out that a country's image may influence the perception of goods among consumers. Hence although trade barrier elimination among members of a regional organization may increase trade flows, the negative image of a producer's country of origin may reduce competitive advantages of goods from

the regional organization, and goods imported from third countries would retain their market share despite trade barriers.

Thus contemporary literature considers the pros and cons of regionalization both from political and economic points of view. From an economic point of view, the most prominent consideration is related to the influence of the phenomena on such aspects as multilateral and bilateral trade liberalization (Wei and Frankel, 1996; Panagariya, 1999; Brummer, 2007; Martin and Anderson, 2008), dependence of economic development on participation in regional organizations (Vernon, 1996; Baldwin, 1997; Brummer, 2007) the improvement of the welfare of the population (Baldwin, 1997; Eun and Resnick, 2009; Peng 2011). The aspects described above may have an impact on the flow of goods among countries as well as changing attitudes of consumers to products produced in different countries. Trade barrier elimination for countries involved in the same regional organization and simultaneous trade barrier imposition for other countries may also change product lines available in the market, which could influence overall consumers' perception of goods.

Globalization and consumers perception (s)

Contemporary transportation and information technologies along with trade liberalization, increase the number of goods presented in local markets, which influences consumers' preferences. Levitt (1983) said that globalization leads to changes in consumers' behavior and homogenization of consumers' demands towards goods with universal features that are equally required by consumers from all countries. In other words, globalization leads to the narrowing of consumers' preferences and provides opportunities for companies producing standardized goods that could be sold around the world simultaneously. Due to the narrowing of consumers' preferences, international companies achieve possibilities of economies of scale. Levitt (1983) also believed that scale economizing reduces the costs of production and as a result, consumers may purchase standardized goods with high quality at lower prices, which multiplies consumers' demand for standardized products.

However, Douglas and Wind (1987) argue that

whilst standardization allows some companies to reduce costs through scale economizing and achieve competitive advantages, the idea that all companies may use a standardization strategy for all countries is a rather idealistic point of view. The authors show that possibilities to use standardized products depend on such factors as the existence of global markets, the potential synergy of standardization and the availability of international communication and distribution infrastructure. Moreover the global market segments are presented mainly for luxury or premium types of products, or products that inherently have similar consumers' demand. Douglas and Wind (1987) mention that country image may facilitate using standardization as the main strategy for some industries, for example France for the perfume industry and Italy for the fashion industry. Consumers' demands also may be based on brand perception which creates recognition of products with reputation of high quality and service. Douglas and Wind (1987) highlight that trade barriers may significantly reduce benefits that are provided by standardisation of products due to tariffs.

Kim (2008) argues that an attempt at using standardised approaches and products without consideration of consumers' culture may lead to a negative attitude of consumers toward products or services. Thus, on the one hand, trade liberalization that is provided by regional organizations allows distribution of standardised products and facilitates changes in consumers' demands toward standardised products, but on the other hand, consumers' perceptions still may harm the ability of a company to use standardisation as its main marketing strategy in different countries. Pharr (2005) argues that the perception of products may be impacted by a product's country of origin. Country of origin influence in turn may appear through consumer ethnocentrism (Balabanis, Mueller and Melewar, 2002; Orbaiz and Papadopoulos, 2003; Peng, 2011) and consumer nationalism (Wang, 2005).

Influence of products' country of origin

Orbaiz and Papadopoulos (2003) consider the influence of country of origin on the perception of domestic products, products that are imported from neighbouring countries and imported from

remote countries that have similar culture to the culture of consumer groups. However Orbaiz and Papadopoulos (2003) note that a positive perception of a country does not lead to a similar attitude toward products imported from the country.

Although ethnocentrism impacts consumers' purchasing intentions, a high bias toward domestic products could be also explained by consumers' familiarity with the products (Orbaiz and Papadopoulos, 2003). They show that low consumers' familiarity with a product that is imported from remote regions, may lead to poor evaluation of the product, despite similarities of consumers' culture with the culture of the country where the products were produced. On the other hand Orbaiz and Papadopoulos (2003) correlation of negative image of country from which goods were imported with consumers' perception of products.

Knight, Holdsworth and Mather (2007) interviewed participants of the European foodstuff industry to reveal main factors that impact consumers' perceptions of foodstuff from different countries. The authors highlighted that country of origin mainly impacts consumers' perceptions of quality. On the basis of the interviews, Knight, Holdsworth and Mather (2007) conclude that the intention to import foodstuffs depends on the confidence in the supply chain industry participants and strong legislation for foodstuff quality in the home country. At the same time, the country image also influences the awareness of supply chain members about the integrity of producers and compliance with the country legislation, and as result, reflects on the country's goods purchasing intention. Thus a country image also impacts the perception of consumers through an understanding of the extent in which the country controls compliance of producers to legislation.

Holdershaw, Gendall and Case (2013) also examine the influence of fresh foods' country of origin on consumers' purchasing intentions and found a strong correlation between the foodstuff's country of origin and consumers' preferences. The authors found that with high price differentials, the preference of consumers for fresh products from certain countries still appeared, but was less prominent than in the case of price similarities. In

other words, many consumers prefer domestic products to imported products in spite of price differences. The survey also reveals that after domestic goods, consumers rather prefer products that are imported from neighboring countries than foodstuff from distant countries.

Pharr (2005) also found that the evaluation of product information about country of origin entwined with other aspects related to products such as prices, perception of quality and perception of brand. For example, the author points out that, in the case of a negative perception of products' country of origin, high prices do not influence the perception of quality, and when price is low, strong positive information about the country of origin does not significantly impact the perception of product quality. Pharr (2005) also concludes that the development of contemporary technologies allows the production of products from parts or materials that are produced in different countries. As a result, consumers evaluate instead brand name, based on the country of origin rather than country of production. Moreover, the author suggests that a positive perception of brands may improve the evaluation of products related with poor image of a country. On the other hand, the contemporary business environment allows international companies to avoid the negative influence of country of origin on the evaluation of products through changing the brand name of products produced for important markets (Pharr, 2005). Thus Pharr suggests that such product related factors as price, brand perception and perception of quality should be considered as moderators of the influence provided by country of origin image on product evaluation. On the other hand, the evaluation of products may be also impacted by such consumers' related factors as familiarity with products and perception of consumers' involvement in the process of product production (Pharr, 2005).

A regional organization reduces tariffs and non-tariff trade barriers within the region, which influences prices and availability of products from the region. However apart from familiarity with products and other external factors that were considered above, consumers' perceptions of products imported from other countries may be also impacted by such internal aspects as consumers' ethnocentrism and nationalism.

Consumers' culture, ethnocentrism and nationalism

Research presented by Heslop, Papadopoulos and Bourk (1998) shows that consumers' behaviour is also impacted by cultural aspects of certain demographic groups, which may lead towards consumers' perception of diversity even in the border of one country. For example Canada, where the research was conducted, shows that different consumers' culture, which is based on different ethnic origins of the population in French-speaking and English-speaking provinces of the country, leads to different evaluation of products imported from other countries.

Heslop, Papadopoulos and Bourk (1998) consider the attitude of Canadian consumers towards domestic products and products imported from developed and developing countries which have similar languages with each province. The research reveals that goods that are imported from developing countries are evaluated by consumers as goods with low quality, independent of language/culture similarities of the consumers with the products' country of origin. In other words, a positive correlation of goods evaluation and culture similarities was not found for products that are imported from developing countries. The perception of goods imported from developed countries with a similar language/culture was not similar in French-speaking and English-speaking regions of Canada. So in the French-speaking region, the correlation of a product's evaluation and similarity of languages between the region and products' country of origin, was less explicit than the same aspect in the English-speaking region of Canada.

Although Heslop, Papadopoulos and Bourk (1998) highlight the consideration of only one region as a main limitation for the research generalization, the research reveals aspects that highlight possibilities of different perceptions of goods by consumers with different cultural backgrounds even in a common market. The authors point out that this aspect presents a basis for further research. Thus similar to Canadian consumers who have different evaluations of products in spite of the common market of the country, consumers in a custom union may also differently evaluate products imported from within and outside the union.

Skinner et al. (2008) consider the influence of EU enlargement on culture perceptions and self-concepts among the populations of countries from the former eastern bloc that are EU newcomers. The authors point out that in spite of majority populations of eastern countries supporting the idea of joining the EU, people from the countries tend to consider themselves rather as distinct ethnic groups with their own cultures rather than Europeans. The authors conclude that in spite of new countries joining the common European market, consumers' preferences in newly joined countries could be different, and this should be taken into account by companies that are preparing to enter the newly joined countries. Thus the findings of Skinner et al. (2008) show that in spite of common history and seeming cultural familiarities, consumers in the Eurasian Custom Union may retain their cultural diversity and as result reduce opportunities that are provided by the common market.

Balabanis, Mueller and Melewar (2002) also show that the perception of imported goods is under the influence of consumers' ethnocentrism; moreover a high level of ethnocentrism, in some cases, becomes a more important factor of influence than price and quality. Thus ethnocentrism may lead to a different perception of goods presented in each country of a regional organization. The level of ethnocentrism in turn is predefined by different cultural, social and political aspects that are perceived by consumers as behavioural norms in a country (Heslop, Papadopoulos and Bourk, 1998; Peng, 2011). Balabanis, Mueller and Melewar (2002) considered the impact of different values on ethnocentrism presented in the society of countries. On the basis of a survey, the authors found that conservatism is one of the main values that lead to the appearance of ethnocentrism. At the same time, the authors note that contrary to predictions, such traits of consumers as openness to innovations do not correlate with the level of consumers' ethnocentrism. However the authors note that in general, human values have limited influence on consumers' ethnocentrism; moreover the research shows that the presence of the same values in different societies differently impacts the level of consumers' ethnocentrism.

Ethnocentrism also may impact the evaluation of

products within the regional organization. Balabanis, Mueller and Melewar (2002) point that ethnocentrism allows consumers to divide producers and goods on “our” and “their” with increasing pride for “our” products and decreasing positive attitude to “their” products. Thus, establishing a custom or an economic union may change the perception of goods that are produced in countries of the organizations, and consumers may begin perceiving goods from countries of “their” region as “our” goods. Balabanis, Mueller and Melewar (2002) conclude that the results of the research could be useful for shaping entry strategies in foreign markets in that it shows that the level of ethnocentrism has to be considered individually for each country. The authors also point out that consideration of ethnocentrism in forecasting is one significant aspect for achieving necessary quality of sales forecasting in different countries. At the same time implementation of marketing strategies for markets of different countries also may be unsuccessful in the case of ignoring such factors as ethnocentrism (Balabanis, Mueller and Melewar, 2002).

Wang (2005) and Orbaiz and Papadopoulos (2003) point out that apart from ethnocentrism, products’ perceptions also may be impacted by consumers’ nationalism. Wang (2005) showed that in the case of ethnocentrism, consumers evaluate domestic products higher than similar imported products and it does not matter from which country the products were imported. However in the case of consumers’ nationalism, products imported from a certain country may be evaluated lower than similar domestic products or products that are imported from other countries.

At the same time Wang (2005) indicates that in spite of products produced or assembled in different countries, consumers perceive products mainly through brand name. Hence the stronger a brand association with a certain country the more vulnerable products produced under the brand name become to consumer nationalism (Wang, 2005). Negative perceptions of country of brands origin may increase negative attitudes of consumers toward the brand and erode the products’ competitive advantage in the global market (Wang, 2005). Thus regional organizations may reduce nationalism against countries members of the organization and positively impact

the perception of brands related to the countries, which, along with trade preferences, may increase competitive advantages of companies from the region organization.

Theoretical framework

As shown above many contemporary researches consider influence of different aspects on consumers’ perception of products that are imported from other countries, for example Pharr (2005), Balabanis, Mueller and Melewar (2002), Heslop, Papadopoulos and Bourk (1998), Shimp and Sharma (1987), Orbaiz and Papadopoulos (2003) etc.

Thus changes in consumers’ perceptions of products that are produced in countries that are involved in a regional organization may also present some interesting insights to identifying possible aspects that influence consumers’ perceptions of products from different countries. For example, changes in consumers’ attitude toward domestic products in the case of the ECU creation may contribute to the theory of consumers’ ethnocentrism. At the same time, consideration of changes in consumers’ attitudes toward products that are imported from the countries that are not involved in the ECU may reveal influences on consumers’ nationalism exerted by the regional organization establishment, These may also make a contribution into the theory of consumers’ nationalism. Moreover consideration of changes in consumers’ perceptions of imported goods may make a contribution in the overall theory of country of origin influence.

METHODOLOGY

Balabanis, Mueller and Melewar, (2002) considered consumers’ attitudes towards imported and domestic goods using questionnaires with predefined answers for collecting quantitative data allowing them to provide a correlation between human values and consumers’ ethnocentrism. Heslop, Papadopoulos and Bourk (1998) also used a similar approach for analysis of correlation between consumers’ culture and attitude toward products imported from different countries. This research follows their approach with the collection of quantitative data about consumers’ perceptions

through questionnaires with predefined answers.

A questionnaire was designed using the commonly used software Survey Monkey and was distributed via e-mail, social networks and instant messengers through a convenience sampling process. The questionnaire was divided into three sections in line with the 3 main areas of investigation. Due to research being directed on revealing changes in consumers' perceptions, the questionnaire sections were split into two periods of the region's history, before and after the ECU establishment. Even though the ECU was established five years ago, it was felt that whilst consumers might have changed their consumption habits already, they will still remember habits that they had had before the ECU creation, hence each participant of the survey should be able to answer questions in both periods. Shimp and Sharma (1987) used bipolar Likert scale for developing a tool which would allow analyzing the level of consumers' ethnocentrism, and the tool was used by many authors to identify the level of consumers' ethnocentrism in different countries. Thus, developing answer options using a bipolar Likert scale was felt to be an appropriate approach for collecting data about consumers' preferences. The questionnaire also allowed for dividing participants by different social groups; for example, demographic aspects such as gender, income level, age, country of residence and ethnic group. Thus the survey allowed defining differences of influence exerted by the creation of the ECU on different social groups. The research was conducted in a region where the population mainly speaks Russian; consequently the questionnaire was translated in Russian.

Participants were gathered using a snowball model, with the initial set attracted mainly through social networks and instant messengers. Participants of the survey are identified only by such parameters as country of residence, gender, age group, ethnic belonging and income level, allowing high level depersonalization. High confidentiality of the participants decreased the probability of data distortion through the participants striving to present themselves or the image of their country in a more a positive light.

RESULTS, ANALYSIS, AND DISCUSSION

Description of the sample demography

A web link to the questionnaire was sent to 22 participants in the initial phase through email and instant messengers. The link was also placed in social networks with notification of possible participants. Data were collected over a period of one month and 101 responses were received. However 9 questionnaires had one or more skipped questions and as result these were excluded from the analysis. Thus the results are based on 92 responses that included answers to all questions. The survey included respondents from different age groups ranging from 21 years to more than 65 years. The sample is skewed to younger participants with almost 58% of respondents belonging to the 21-30 years age group. This is not surprising given the online vehicle for the survey. Females showed higher interest in the survey, representing 55% of respondents against 45% for males.

The survey comprised respondents from three countries: Russia, Belorussia and Kazakhstan. However since the survey was initiated from Kazakhstan, the majority of responses (49%) were received from this country. Responses from Russia and Belorussia had comparable shares of 24% and 27% of the sample respectively. The question about ethnicity of respondents is significant given the history of the USSR and internal migration patterns. The majority of respondents were ethnic Russians (60%); next were Byelorussians with 16%, followed by Kazakhs at 11% and the remainder of respondents consisting of other ethnicities such Ukrainian, German, Tartar and others. The respondents were also asked about the level of their income per month. The majority of respondents reported monthly income under \$2000, with almost half of the respondents reporting net income per month in the range between \$500 and \$1000: 30% of respondents gave their income as more than \$1000 and less than \$2000. A comparison of income distribution by countries shows a similar dispersion of net incomes in each country.

General perception of the ECU dairy market

The first aim of the research was to identify consumers' attitudes to changes in the dairy market of the ECU that have appeared since the

union’s establishment. The following 3 questions were asked:

1. Have you changed the quantity of dairy products consumed by you or your household, after Eurasian Custom Union (ECU) establishment (since 2010)?
2. Has the range of dairy products consumed by you or your household become more diverse since 2010?
3. Would you prefer new dairy products to similar products already present in the market?

As shown in figure 1, 70% of respondents had not noted significant changes in the quantity of consumed dairy products, with 27% reporting increased quantity of consumed dairy products and only 3% reporting reduced consumption. It should be noted that respondents from Kazakhstan were the only ones reporting decreases in consumption.

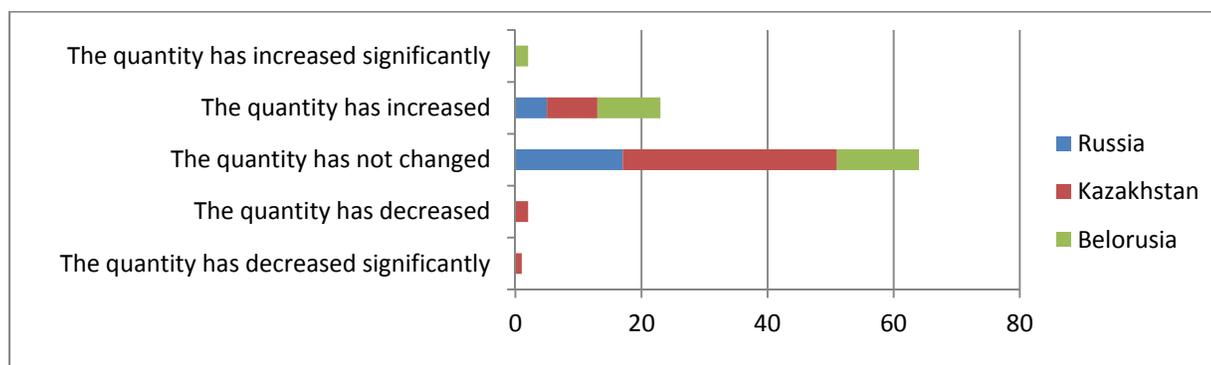


Figure 1. Changes of dairy products Consumption

In response to changes in the diversity of dairy products consumed by respondents’ households, as figure 2 shows, about 55% of respondents indicated that the range of dairy products has

remained the same, 39% of respondents saying that the diversity of dairy products has increased since the ECU establishment and only 4% indicating reduction in diversity.

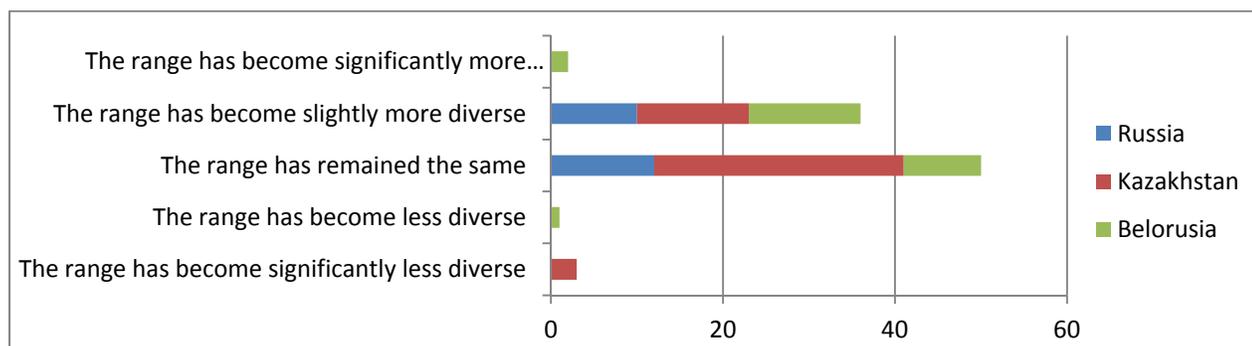


Figure 2. Perception of changes in diversity of dairy products

A willingness of respondents to try new products was included in the questionnaire to identify possible adherences of respondents to habitual products and brand names. A majority of the respondents, about 51%, pointed out that the choice between new and habitual dairy products

or brands is dependent on price differences between the products. At the same time 31% of the respondents answered that they prefer habitual dairy products to new ones and only 18% of respondents answered that they would prefer new dairy products to habitual ones.

Inferential analysis of responses was undertaken to ascertain possible differences in the attitude of respondents from different demographic groups.

Beins and McCarthy (2012) support the view that Chi Square test of independence is an appropriate method for examining significance of differences in ordinal data collected from populations of

different samples. Thus the responses for each aforementioned question were examined through Chi Square analysis to identify whether there are differences in answers received from different countries and demographic groups. The results of Chi Square test for the above three questions are presented in table 1.

Table 1. Analysis of general perception of changes in dairy market of ECU

	Gender	Country	Age	Income	Ethnicity
Degree of freedom	2	4	12	14	6
Significance Value($\alpha = 0.05$)	5,991	9,488	21,026	23,685	12,592
Q1	0,859	9,209	0,875	1,555	12,175
Q2	0,662	6,751	2,261	1,682	15,949
Q3	3,793	7,064	3,130	2,799	12,254

Where extreme responses were limited, strongly agree or strongly disagree were joined with options that express agree or disagree respectively, giving 3 categories of responses. The number of ethnic groups was also decreased from 12 to 4 and ethnicity different from Russian, Belarusian and Kazakh were treated as a group with the name "Other". Thus analysis was performed for comparisons of answers from four ethnic groups, i.e. Russians, Kazakhs, Belarusians and Others.

The results of the Chi Square (χ^2) test from table 1 show that the probabilities of differences in answers for each question between males and females or among respondents of different age and income groups or among respondents from different countries are statistically insignificant due to critical values, that were defined for $\alpha = 0.05$, and degrees of freedom calculated for each group, are larger than the results of χ^2 calculated for answers from the aforementioned demographic groups. However the value of χ^2 which was calculated for responses to question 2 from different ethnic groups is more than the critical value for $\alpha = 0.05$ and degree of freedom = 6. In other words the data of the survey shows that different ethnic groups differently evaluate diversity of dairy products available in market of the ECU.

Thus the result shows that the perception of dairy products' quantity increasing in the dairy

market of the ECU does not depend on participants belonging to a certain demographic group. Respondents from different social groups also equally evaluate the possibility of switching from familiar dairy products to new ones. But different ethnic groups differently evaluate increasing dairy products diversity in the dairy market of the ECU. It should be noted that consideration of the first two questions along with data from Tetra Pack (2014) research which describes changes of producers' shares in the milk market, may be interpreted as fact that consumers are steadily changing their attitudes towards imported products, which in turn makes domestic producers increase the diversity of their product lines.

The findings of this study, that consumers from different ethnic groups differently perceive increasing of dairy products' diversity, coincides with findings of research presented by Heslop, Papadopoulos and Bourk (1998), which identifies that even in the common market consumers with different cultural backgrounds may differently evaluate identical products dependent on the products' country of origin. From this point of view the different evaluations of diversity may be explained by the fact that consumers from different ethnic groups may differently evaluate dairy products that were produced in other countries. On the other hand another reason that Belarusians indicated increased consumption of

dairy products diversity may be explained by lower prices on dairy products imported from ECU countries, which support the suggestion of Peng (2011) that participation of a country in a regional organization has an impact of improving the welfare on of the population of the country.

The fact that the majority of the respondents indicated that their choice would depend on price differences, in comparison between new dairy products and similar products that are already present in the market, may be explained by a low level of adherence to habitual dairy products among consumers in the ECU. This finding does not correlate with the suggestion of Orbaiz and Papadopoulos (2003) that low familiarity with products significantly impacts purchasing intentions, and suggests that in spite of low familiarity with dairy products, consumers in the ECU will try new products in the case of lower prices. However our results are supported by the Pharr (2005) finding that price is a significant moderator of products perception. It has be noted that these findings are related to the whole sample because the Chi Square test does not reveal significant differences in answers that were received from different demographic groups.

Two questions to identify the level of influence of a country image on consumers' perception of products or brands from the country produced interesting results

1. May negative perceptions of certain country impact your willingness to purchase products produced in the country?
2. May positive perceptions of certain country impact your willingness to purchase products produced in the country?

37% of respondents said that they do not have preferences about country of origin, another 37% of respondents said that a negative image of country of origin impacts their willingness' to purchase products from the country and only 26% of respondents said that a negative image of a country did not impact their willingness to purchase products from the country.

The majority of respondents in Russia and Belorussia, around 41% and 36% respectively,

stated that a negative perception of a country negatively impacts their willingness to purchase goods from the country, where the majority of the population in Kazakhstan, about 40%, showed a neutral attitude to products' country of origin.

When respondents were asked about influence of positive perception of a country on their attitude toward dairy products from the country, the majority of respondents, about 48%, said that positive perception of a country positively impacts their attitude toward products from the country. At the same time 38% of the respondents said that they do not consider country of origin as factor that may impact their attitude toward products, and only 14% of the respondents answered that positive attitude toward a country cannot positively impact their evaluation of products from this country.

Responses about the influence of positive perception of a country received from Russia and Kazakhstan had different distribution to responses from Belorussia. So in spite of the majority of respondents from the three countries indicating that a positive perception of a country positively impacts their attitude to the country, 24% of respondents from Belorussia indicated that positive perception of a country cannot positively impact their attitude toward products from the country, while only 9% and 11% of the respondents, from Russia and Kazakhstan respectively, answered similarly on the question.

The Chi-Square test for these questions for different demographic groups are less than the critical value that is calculated for $\alpha = 0.05$ and degree of freedom appropriate to each demographic group. Thus the probability of differences in the attitude of respondents from different demographic groups to the questions is less than 5%, and it could be concluded that all groups that are considered in the survey have a similar distribution of answers.

Table 2. Influence of country of origin, differences among demographic groups

	Gender	Country	Age	Income	Ethnicity
Degree of freedom	2	4	12	14	6
Significance Value(0.05)	5,991	9,488	21,026	23,685	12,592
Q1	1,609	0,691	5,667	2,892	4,022
Q2	0,069	2,733	7,705	5,348	7,176

The value of the mode, which was calculated for answers to the question about the negative perception of a country, shows that the majority of respondents answered that they do not consider the negative image of the country as a significant factor which influences their willingness to purchase products that were produced in the country. This finding correlates with the finding of Pharr (2005), who concludes that such factors as product price, perception of product quality and image of brand are more significant moderators of products evaluation than the negative image of the country where the products were produced.

In the case of a correlation of positive perception of a country and willingness to purchase products from the country, the value of the mode shows that the majority of respondents said that positive image positively impacts their willingness to purchase dairy products from the country. However this finding does not correlate with the conclusion of Papadopoulos (2003) that positive perception of a country does not lead to positive perceptions of products from the country.

At the same time Wang (2005) points out that a high level of consumers' nationalism leads to a high correlation between the negative perception of a country and negative perception of products or brands from the country. Thus the last two findings can be explained by the low level of consumers' nationalism present among the population of the ECU.

Changes in perception of dairy products

Another goal of the research was to identify changes in perceptions of dairy products from different countries that occur as the result of the ECU creation. We were interested in questions about perceptions of domestic dairy products, dairy products imported from countries of the ECU,

and countries that are not included in the union. Questions related to the period before and after ECU creation

The attitude of respondents toward domestic products and products from other countries of the ECU produced interesting results. Half of the respondents replied that they had preferred domestic products before the union was created, while 42% of the respondents replied that they perceived both type of products similarly and only 8% of respondents answered that they had preferred dairy products that were imported from other countries of the ECU.

A majority of respondents from Russia and Belorussia, 54% and 60% respectively, said that they preferred domestic dairy products. While only 49% of respondents from Kazakhstan answered that before the ECU creation they had perceived equally domestic dairy products and the products that were imported from the ECU countries. Almost 42% of the respondents from Kazakhstan said that they preferred domestic dairy products while only 36% of respondents from Russia and Belorussia expressed a similar view.

The next question compared consumers' attitudes toward dairy products from ECU countries and dairy products that were imported from non ECU countries. Half of the respondents, 50%, said that they preferred dairy products from ECU countries rather than products that were imported from outside of ECU. Almost 45% of the respondents answered that they perceived both type of products equally and only 5% pointed out that they preferred dairy products that were imported from outside of ECU.

The last two questions of this category compared perceptions of quality between domestic dairy products and dairy products that are imported from ECU as well as from other countries. The research shows that before the ECU creation, a

majority of respondents, almost 60%, had perceived the quality of domestic dairy products and dairy products that were produced in other countries of ECU as equal, while 24% of respondents had perceived the quality of dairy products that were imported from other countries of ECU as higher than the quality of domestic dairy products and only 16% of respondents answered that they had perceived the quality of imported dairy products as lower than the quality of domestic products.

However it should be noted that the distribution of answers from Russia and Belorussia was different from the distribution of answers that were received from Kazakhstan. The majority of respondents from all countries pointed out that they perceived equally the quality of domestic dairy products and the quality of products that were imported from ECU countries. But 23% and 20% of respondents from Russia and Belorussia respectively pointed that they had perceived the quality of imported products as lower than the quality of domestic products, whereas only 11% of respondents from Kazakhstan answered that they had perceived the quality of imported products as lower than the quality of domestic dairy products. However there were not statistically significant differences in the answers that were received from different countries.

In the final question in this area, relating to period before the ECU creation, respondents were asked about their attitude toward the quality of dairy products that were produced in ECU countries and the quality of dairy products that were imported to ECU countries. The majority of respondents, almost 70%, answered that they had perceived the quality of both type of dairy products equally, 17% of respondents pointed that they had perceived the quality of imported products as higher than the quality of products that were produced in ECU countries and 13% of the respondents pointed that they had perceived the quality of dairy products that were produced in ECU as higher than the quality of imported dairy products.

The last section of the questionnaire considered the perception of dairy products existing in countries of the ECU currently.

The first question was about preferences of the respondents between domestic dairy products and

products that were imported from other countries of the ECU. The majority of respondents, 52%, answered that currently they perceive both types of products similarly, 38% of the respondents said that they prefer domestic dairy products rather than imported from the ECU, and only 10% of the respondents answered that they prefer products that are imported from ECU countries.

However distributions of answers for countries were different: 59% of respondents from Russia said that they prefer domestic dairy products rather than products produced in other countries of the ECU, about 41% of respondents from Russia answered that they perceive both type of products similarly and no respondent showed preferences for products from other countries of the ECU. Whereas the distribution of answers from Kazakhstan and Belorussia is nearly equal, with about 56% of respondents from Kazakhstan and Belorussia saying that they perceive both type of products equally, about 32% of respondents from both countries pointed out that they prefer domestic dairy products and about 13% of respondents pointed out that they prefer dairy products imported from other countries of the ECU. However there are no statistically significant differences in answers that were received from different countries.

The next question of the section compares consumers' preferences between products that are produced in countries of the ECU and products that are imported into the union. The majority of respondents, about 50%, said that they perceive both type of products equally, 46% of the respondents said that they prefer products that are produced in countries of the union and only 4% of the respondents said that they prefer dairy products that are imported into countries of the union.

When looking at the responses divided by countries, the distribution of answers from the countries is different. The majority of respondents from Russia, 68% indicated that they perceive both type of products similarly, 31% of the respondents indicated that they prefer products from ECU countries and no one expressed a preference for dairy products that are imported from outside of the union. The majority of respondents from Kazakhstan, 53%, answered that they do not perceive the products differently, 44% of

respondents prefer dairy products that are produced in the ECU and only 2% reported that they prefer products that are imported in the ECU. Whereas the majority of respondents from Belorussia, 60%, answered that they prefer products that were produced in countries of the union, 28% of respondents from Belorussia answered that they consider both types of products as equal and 12% showed their adherence to products that are imported into the union. But analyses did not reveal statistically significant differences.

The last two questions of this section considered the influence of dairy products' country of origin on perception of the products' quality. The respondents were asked to state their perception of domestic products' quality in comparison with the quality of products that are produced in countries of the Eurasian Custom Union. The results showed that the majority of respondents, 64%, replied that they perceive the quality of both types of products as equal, 28% of respondents answered that they perceive the quality of products that are produced in other countries of the ECU as higher than the quality of domestic dairy products and only 8% of the respondents said that they perceive the quality of domestic products as higher than the quality of dairy products that are produced in other countries of the ECU.

The respondents were also asked to compare their perception of dairy products' quality for the products that are produced within the ECU and those that are imported into the ECU countries. The majority of respondents, 65%, said that they equally perceive the quality of products that are produced in countries of the ECU and imported in the countries, 18% of respondents said that they perceive quality of dairy products that are imported into the ECU as higher than quality of products that are produced in the countries and 17% of respondents answered that they perceive quality of products that are produced within the ECU as higher than products imported into the Union.

But the distribution of answers to this question looks different for responses from different countries. The majority of respondents in each country pointed out that they equally perceive the quality of both types of products, but a higher percentage of respondents from Russia and

Belorussia perceive the quality of products that are produced within the ECU as higher than the quality of products that were imported into the ECU, whereas responses from Kazakhstan show that a higher percent of respondents from this country perceive the quality of products imported into the ECU as higher than the quality of products that are produced within the union. However it should be noted the analysis does not prove that the difference in answers from different countries is statistically significant.

A Chi Square test was performed to identify the possibility of different perceptions of domestic and imported dairy products among different demographic groups of the sample. The results of χ^2 calculated for each demographic group and questions of sections 3 and 4 of the questionnaire are presented in table 3.

As seen in table 3, values of χ^2 for each question and demographic group are less than the critical value defined for $\alpha = 0.05$ and the degrees of freedom that were calculated for each demographic group. Hence data suggests that the probability of an equal attitude to each question among different demographic groups is more than 95%. Thus analysis of respondents' attitude, toward domestic and imported dairy products in different periods, can be inferred to the sample in whole and the results can be approximated to each demographic group.

The statement that respondents have changed their attitude toward domestic dairy products and the products that are imported from the ECU since the ECU creation is the first hypothesis to be verified. To verify the hypothesis the respondents were asked, about their preferences between domestic dairy products and dairy products that were/are imported from the ECU, related to two periods, before and after the ECU creation respectively.

Answers to the questions were analyzed by Chi Square test. Calculation shows that χ^2 equals 2.675, which is less than 7.815 that is the critical value for $\alpha = 0.05$ and degree of freedom equal 3, hence the probability of similarity in the answers is more than 95% and the null hypothesis cannot be rejected. Thus the survey does not identify statistically significant changes in consumers' attitudes toward domestically produced dairy products as well as toward dairy products that are

imported into the ECU, since the union creation

Table 3. Evaluation of domestic and imported dairy products - demographic analysis

	Gender	Country	Age	Income	Ethnicity
Degree of freedom	2	4	12	14	6
Significance Value(0.05)	5,991	9.488	21.026	23.685	12,592
Q11	0,668	2,258	2,000	2,875	7,668
Q12	3,626	6,386	2,244	16,461	0,488
Q13	1,194	5,584	5,806	0,924	2,640
Q14	3,011	0,597	7,104	5,422	0,944
Q15	5,872	1,683	3,257	4,583	1,090
Q16	1,100	7,496	2,381	2,619	4,698
Q17	3,527	0,839	1,119	2,932	6,809
Q18	1,582	6,333	1,067	5,638	1,072

The next couple of questions were asked to identify differences in preferences of respondents between dairy products that are imported from countries of the ECU and dairy products that are imported from outside of the ECU. The questions are related to two periods, before and after the ECU creation respectively. The assertion that changes in consumers' preferences between products from ECU and from non ECU countries, appeared after the ECU creation, was hypothesized and tested using a Chi Square test.

The value of χ^2 was calculated based on answers to this set of questions and was equal to 0.58, which is significantly less than the critical value for $\alpha = 0.05$ and 3 degrees of freedom. Hence the null hypothesis cannot be rejected due to the statistically insignificant probability of differences in answers that related to different periods. Thus data of the survey show that respondents have not changed their preferences, between dairy products that are imported from ECU countries and from non ECU countries, since the union creation.

The questionnaire also included questions to identify changes of respondents' attitudes toward the quality of domestic dairy products and dairy products that were imported from countries of the Eurasian Custom Union in the periods before and after the union creation respectively. The assertion that respondents have changed their attitude toward the quality of the products since the ECU

creation was presented as a hypothesis for verification using Chi Square test.

Chi Square analysis shows that the value of χ^2 that was calculated equals 3.382, which is less than the critical value of 7.815 and the null hypothesis cannot be rejected. Thus the probability of differences between attitudes of respondents in the periods is statistically insignificant. In other words data shows that consumers have not changed their attitude toward the quality of domestic dairy products and products imported from other countries of the ECU.

The last couple of questions were developed for examining changes in perceptions of quality of dairy products that are produced in non-member countries of the Eurasian Custom Union. Again this related to two periods, before and after the ECU creation respectively.

The hypothesis that respondents have changed their attitude toward the quality of dairy products that are imported from non ECU countries was tested by Chi Square analysis. The value of χ^2 was equal to 0.7, which is significantly lower than the critical value 7.815 for $\alpha = 0.05$ and 3 degrees of freedom; hence the null hypotheses cannot be rejected. In other words data shows that consumers have not changed their attitude toward dairy products imported from outside of ECU countries since the union creation, as the

differences in answers between the periods are statistically insignificant.

The value of the mode calculated for answers to the question about the period before the ECU creation shows that the majority of respondents preferred domestic dairy products, but the value of the mode calculated for answers related to the present time shows that the majority of consumers perceive both types of products as similar. Values of mode calculated for answers to questions that examine preferences of the respondents between products produced in the ECU countries and products imported from outside of the union also show that the majority of consumers had preferred products from the ECU countries before the ECU establishment, but currently perceive both types of products as similar. However it should be noted that in spite of differences between central tendencies in answers related to periods before and after the ECU creation, analysis of answers to the questions through the Chi Square test shows that there are not statistically significant differences. In other words the research does not identify a significant influence of ECU creation on consumers' preferences between domestic and imported dairy products.

Balabanis, Mueller and Melewar (2002) point out that a high level of ethnocentrism leads to a significant bias of consumers' preferences towards domestic products. Wang (2005) and Orbaiz and Papadopoulos (2003) also point that perceptions of imported products also depend on the level of consumers' nationalism that is presented among the population of a certain country. From these points of view the lack of changes that were identified in the analysis may be explained by the insignificant presence of consumers' ethnocentrism and nationalism among the population of the ECU both before the union creation as well as in the present time.

Chi Square tests also do not reveal significant differences between responses about perceptions of quality that are related to periods before and after the union establishment. Hence it could be concluded that the ECU creation did not influence consumer's perceptions of quality. Lack of changes in perception of quality could be also explained by a lack of changes in consumers' ethnocentrism and nationalism since the ECU creation.

At the same time these findings do not support

the conclusions of Knight, Holdsworth and Mather (2007) about a strong correlation of country of origin image and consumers' perception of products quality. But the finding that the majority of respondents equally perceive quality of domestic products and products from the ECU supports finding of Heslop, Papadopoulos and Bourk (1998) about the correlation of quality perception with the similarity of countries' development level and similarities of cultures of consumers. In other words, similar level of development in countries of the ECU, pointed out by Yesdauletova and Yesdauletov (2014), along with cultural similarities lead towards the equal perception of domestic dairy products' quality and the quality of products from other countries of the ECU.

CONCLUSION, IMPLICATIONS, AND RECOMMENDATIONS

Implications

Despite limitations of the research described later, the research along with findings from academic literature allows making conclusions that may have implications for different stakeholders from ECU countries.

Domestic Producers

The majority of consumers in the ECU consider price of dairy products as a significant factor that influences purchasing willingness in the case of comparison between new dairy products and the habitual ones. Pharr (2005) also highlights the significant influence of prices on perception of products that are imported into the consumer's country. At the same time the research identified a low level of ethnocentrism among consumers of the union. These findings have significant implications for domestic companies that despite familiarity with products that are already presented in the market, ECU consumers will switch preferences towards new products in the case of lower prices, which may erode the complete advantage of incumbents.

ECU Producers

The research shows that consumers of dairy products react differently to changes of dairy products' diversity independent of belonging of the respondents to different ethnic groups. This

finding is explained by cultural differences among different ethnic groups. Similar patterns of consumers' attitudes toward imported products were found by Heslop, Papadopoulos and Bourk (1998) during examination of consumers' culture influence on perception of goods presented in the Canadian market. Thus, in spite of opportunities that the creation of a common market provides for companies that strive to enter into other countries of the ECU, the different ethnic composition of consumers causes differences in cultures and leads to different evaluations of products. Kim (2009) in turn found that cultural differences do not allow successfully using identical strategies for operating in markets presented in societies with different cultures. Hence cultural diversity of different ethnic groups is a crucial aspect that limits the ability of companies from the ECU using identical products and strategies of entrance in all countries of the ECU.

At the same time, it should be noted that the lack of strong evidence of the influence that the ECU creation exerts on consumers' perceptions, shows that companies from the ECU have not increased their competitive advantages in the ECU market through increasing positive perceptions among consumers. However the companies achieve competitive advantages as a result of trade barriers elimination, which along with findings that consumers consider price as one of the main factors that influence purchasing willingness, shows that the companies from the ECU do have significant competitive advantage against companies from outside of the union.

Producers from non-ECU countries and MNCs

The survey does not reveal significant differences in attitude toward quality of dairy products between periods before and after the ECU creation. Thus majority of consumers in the ECU equally perceive products that are produced in ECU countries and imported from non-ECU countries. In other words the ECU creation has not impacted the perception of dairy products' quality and equal attitude of consumers toward quality of dairy products that were produced in different countries. This research also highlights the low level of consumers' nationalism and ethnocentrism, which shows that non-ECU companies still may retain consumers or attract

new ones in ECU countries.

Another finding which has practical implications is the influence of positive perceptions of a country on the evaluation of products from the country. Consideration of this finding along with the suggestion of Wang (2005) that consumers pay attention to country of brand origin rather than the country where the products were really produced, shows that a positive image of a country with which consumers associate a brand name may bring to MNCs additional competitive advantage despite production of products under the brand name in ECU countries

Recommendations

Domestic Producers

As the research shows, consumers in ECU countries have a low level of ethnocentrism, while at the same time the majority of consumers may relatively easily switch from habitual dairy products to consumption of new products if they have lower prices. Thus companies that already have a presence in ECU markets should consider the ability of newcomers from other countries of the ECU attracting consumers by lower prices. As a result, managers of domestic companies should not rely on consumers' adherence to their brands and should pay significant attention to price competitiveness of their products.

ECU Producers

The research shows that consumers from different ethnic groups may differently evaluate products in spite of their common history and other similarities; the differences of perception is explained by cultural diversity. Thus consideration of cultural differences is a crucial aspect for companies that strive to enter into other countries of the ECU; in other words, managers have to assess the appropriateness of existing products and approaches for entering in new regions of the ECU and adapting products or approaches to satisfy the demands of consumers in different regions.

Although the ECU creation does not impact consumers' evaluation of products from different countries, companies from ECU countries achieve competitive advantages as result of trade barriers elimination, which along with the finding that

consumers consider price as one of the main factors that influence purchasing willingness, shows that products from the ECU may achieve significant competitive advantages and managers should base their marketing strategy on price attractiveness rather than on consumers' adherence to products from ECU countries.

Producers from non – ECU countries and MNCs

Trade barriers along with insignificant loyalty to products or brands and the significant influence of prices on consumers' willingness to purchase new products, show that non-ECU companies should create their strategies for reducing prices of finished goods or even consider a strategy of joint venture or FDI creation in the region to retain competitive advantage.

The survey also reveals that a positive image of a country positively impacts the perception of goods from the country. Thus for a more successful entrance into markets of ECU countries, multinational companies from non-ECU countries may offer their products under brand names associated with a country that has a positive image among the population of ECU countries, which may increase competitive advantages of products produced by FDI or joint ventures in ECU countries.

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Sergey Utev holds a MBA in International Business from the University of Liverpool, UK. He is an Electrical Engineering graduate and for the past ten years has worked for a group of GMCG companies as an IT Engineer. Currently he is head of the Business Application department, where his main responsibilities are business process development and automation.