

Consumer Perception Towards Chinese Cars in Russia

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Abstract

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Title of the thesis Consumer Perception Towards Chinese Cars in Russia		
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Abstract <p>In the age of globalisation, many Chinese companies are trying to occupy different market niches in different countries. The Russian market, in general, is a tough place for competition, especially in the car segment. The population of the country is high as well as the various number of brands. The amount of Chinese companies who want a slice of this lucrative place arises year by year. In Russia, PRC car manufacturers are diligently trying to expand their share in this market. On the way to becoming popular brands, Asian manufacturers face several problems such as an unsettled brand image, negative customer perception, and a country-of-origin effect.</p> <p>The quantitative research method was done descriptively to collect reliable and detailed information about customer perception towards PRC companies. The purpose of this study was to identify whether there is a correlation between brand image, country-of-origin effect and the market share of the Chinese car brand.</p> <p>The findings indicated that there is a strong negative perception of Russian customer towards the Chinese automotive industry. The results showed that a weak brand image and cost-of-origin effect have a direct impact on the market share of Chinese car manufacturers. Moreover, the core of this issue lies in the general perception towards Chinese industry as a whole. Russian consumer is rigorous and conservative when buying a car. Results showed that Russian customer has a lack of trust to the PRC companies and on average, would trust the Japanese, German and South-Korean brands more.</p>		
Keywords Brand Image, Country-of-Origin effect, Perception, Chinese car industry		

1 Introduction

1.1 Research background

The target of this thesis is to identify how Russian consumer perceives the Chinese car brands as well as to find out whether there is a correlation between brand image and such a small market share of PRC (People's Republic of China) companies among competitors (Chuprov 2020) . Moreover, this paper is going to break down the values of vehicles that are important for the Russian automobile market and whether the country-of-origin effect negatively impacts the sales of PRC car companies.

This study is aimed to contribute to the Chinese automotive industry. The information received and analysed during this research theoretically will able to help PRC companies to deeper understand the Russian consumer. Therefore, they could make better steps in developing their products, services and marketing strategies.

Vehicles are part of our daily lives for already decades. It is one of the most common types of transportation. Since the first mass-production cars such as Ford Model T, they have become something more than just a carriage with internal combustion engines (Candelo 2019). The industry is growing for already more than a hundred years. Every year car brands release new technological solutions that change the customer perception on the concept of the car itself. Vehicles are becoming smarter, faster, safer, eco-friendlier, but also more complicated. With the help of digitalisation, they are no longer just a mode of transport. It is possible to use digital maps, watch content, stream music, update the software of the vehicle using an internet connection, and even play games in some cases using a car. They are slowly becoming the computers on the wheels, especially when thinking about such advances brand giants like Tesla. (Ogbac 2019)

The automobile industry is one of the largest industries in the world. Only in 2019, there were about 70 million cars produced (Statista 2020). This number is significant for the world-wide economy, because for most people, buying a car is the second most meaningful and expensive decision, next to buying a house.

China, nowadays, became one of the biggest manufacturing countries in the world, and it has about 28 per cent of the global manufacturing output (Chinadaily 2020). A few decades ago, Chinese products were associated with cheap and low-quality clothing and other consumer items. Nevertheless, now they produce actual cars that millions of people drive in a bunch of countries. (Statista 2017) In Russia, for instance, 645 auto dealerships sell cars of Chinese automakers, which is about 20 per cent of all dealerships. However, the market share of all Chinese brands in Russia is relatively small and in 2019 was only 2.5 per cent.

Russian consumer might feel a lack of trust for the Chinese car manufacturers. There are many possible reasons for that such as safety factors, technical characteristics, liquidity and reliability. (Chuprov 2020)

1.2 Research objectives and delimitations

The main aim of this study is to identify how Russian consumers value cars of Chinese automakers. Besides, the objective is to find out if there a lack of trust towards Chinese cars and whehter customers feel sceptical about them. The aim is to contribute to the industry by collecting and analysing opinions of consumers about Chinese cars. Also, it is essential to determine how the country-of-origin affect the decision-making process when buying a car.

Chinese rapid growth in the automotive industry is a substantial problem for global automakers. Only in 2019 PRC car companies have produced over 20 million passenger cars which is more than 20 per cent of global vehicle production output (statista 2020). The build quality of their vehicles is rising year by year (Ogorodnikov 2018). Right now, they are growing in Western European as well as the Middle East and other Asian countries. They are inevitably going to expand more and enter other lucrative places in other parts of the world. It is just a matter of time when they are going to be one of the most competitive players in the car segment.

The Russian car market provides a broad range of different brands such as Mercedes – Benz, BMW, VAG AG group cars, KIA, Hyundai and many more (Avto-russia 2020). Russian people might be conservative regarding their car preferences, and many people do not consider the possibility of buying a Chinese car.

1.2.1 Delimitations

This study will cover the demographic group of Russian citizens. The author has chosen this demographic group for a few reasons. First, the Russian internet provides a broad range of sources about Chinese automobiles. Secondly, Russian citizens already have some ideas and opinions about Chinese cars. Thirdly, the author is quite familiar with the Russian automobile market and already have some background knowledge of how it operates. The only age restriction would be that the consumer is 18 years old or more.

Customer perception, country-of-origin effect, customer behaviour and brand image are the main aspects that are going to support this topic theoretically. Also, the focus will be on concepts such as safety and liquidity in the car industry, which are the essential components when doing the study in this market segment.

1.3 Research questions

Research questions are necessary for the study. The goal of this paper is to answer the main question.

- Is there a correlation between brand image and the market share of Chinese car brands in Russia?

Before answering the main question, the sub-questions are going to be answered first.

The sub-questions are:

- How does Russian customer perceive Chinese cars?
- Do Chinese automotive brands suffer from the negative country-of-origin effect from Russian customer?

1.4 Research methods

The main method used in this study is quantitative. *Quantitative research method deals with the numeric data. It examines relationships between variables, which are measured numerically and analysed using a range of statistical and graphical techniques.* (Saunders 2015) First, the author is going to review the literature in order to get into the depth of the topic. The next step is to collect primary data from the results of the survey. Secondary data will be obtained from online libraries and other reliable sources. The collected information is going to be analysed and presented using descriptive method.

2 Global industry overview

2.1 Automotive industry

Automotive industry contains a broad range of companies that are related to motor vehicles by selling, developing, manufacturing, designing and marketing (Definitions). Passenger car is one of the most significant achievements of human in the last two centuries. Back in time, cars with internal combustion engines were considered a revolution in terms of mobility. The new mode of transport was able to help go faster from point A to B, and it relied on the engine, not the horse that can get tired quickly while carrying a heavy pushcart. (Gormley)

Today, the passenger car is the number one means of transport for many people around the globe. For a significant group of people, this is the only way of mobility that they acknowledge – whether its personal preferences, status, driving experience or other reasons. For instance, in developing countries where the public transportation system is poor, passenger cars are the only way for daily mobility of majority. (Vasconcellos 1997)

Car industry nowadays is one of the most lucrative segments in the market. Every year people spend billions of dollars in this market segment. In 2019 there were over 70 million cars produced globally. Each year tens of million passenger cars are being sold by various brands which affect the global economy significantly. (Statista 2020)

The car industry was launched with the help of three enthusiast – Nicolaus Otto, Carl Benz and Gottlieb Daimler. In the last decades of the 19th century, they developed the first four-stroke gasoline engines. By 1900 some companies were selling the first combustion engine vehicles. However, they were expensive, unreliable, complicated to get and produce, and also sold mainly for the enthusiast who had an interest in the technology. (Candelo 2019)

2.2 Rise of mass production cars

Meanwhile, in the U.S., the situation was alike in Europe. At the beginning of 19 Century cars were not common among the mass popularity and sold mainly for those who were interested in the technology. Nevertheless, the history direction has changed when Henry Ford presented his Model T to the market in the early 1900s. He had an idea of making the transport affordable by lowering the cost per unit and producing a high volume of identical cars. In other words, he popularised the concept of mass marketing and mass production (Candelo 2019). Ford's product was a big success in the USA and other countries. Model T was a light, simple and reliable car that had a great demand on the market, especially in the middle-class segment. Between 1908 and 1927, Ford's company have produced about

15 million Model T vehicles. At that time, the U.S. was the leading car manufacturer among other countries. (History 2019)

2.3 Japanese car industry

In the middle of the 20th century, after World War II, Japanese products had a reputation of low quality, cheap and unreliable products. Nevertheless, things got changed with the launch of the "quality revolution". Instead of inspecting the quality after the production process, they started to emphasise on the statistical control management. Japanese manufacturers began to focus on all organisational processes, and later on, they were able to produce higher-quality consumer items for lower costs. Many people believe that this is the result of two Americans - W. Edwards Deming and Joseph M. Juran that gave lectures to 150 senior Japanese managers back in 1954. (Juran 1993.)

The car industry in Japan also took the quality movement seriously. Back in the 1950s, the quality of their cars was relatively low and barely sold outside the country. After the adoption of quality improvement with moderate but confident steps, they were able to change the perception of the world about their products. A couple of decades later, Japan surpassed the U.S. car companies in product quality. (Juran 1993)

Nowadays, Japanese automakers are one of the world's leading organisations in the passenger car segment. Only Toyota had 10 per cent of global market share in 2019. This number is vast. (Statista 2020)

2.4 Chinese car industry

What about the Chinese market? Similar to Japan, this country had a reputation for poor-quality products. The PRC's consumer products used to be considered as cheap and unreliable "toys" and only the tag "Made in China" was a reason for many people to reject from buying a product.

Nowadays, China is the leader in the global manufacturing output. The quality of their products has been raised, and now many companies are leading the industry—for instance, consumer electronics. Huawei, Xiaomi, OnePlus and others are common brand names in tenths of countries around the globe. These companies are known for their products that deliver good quality for the relatively low price.

What about Chinese automakers? There are more than 30 of car manufacturers in PRC. For instance, Geely, Great Wall, BYD, Haval, Lifan, Chery, JAC, SAIC Motor and GAC Group (Carlogos). In recent years they have become one of the global leaders in passenger

car manufacturing with a worldwide market share of more than 25 per cent (Statista 2020). However, the brand image of their cars is still at a relatively low level outside Asia (Holtbrügge 2017). In Russia, the problem might be that people are still sceptical about Chinese products, especially when it comes to cars where safety and reliability are one of the most significant factors when buying one. It is essential to find out whether scepticism about Chinese vehicles takes place in the minds of Russian consumers.

On the Russian market, Chinese vehicles are known for their broad range of different features, i.e. infotainment systems, digital gauge clusters, 360-degree cameras, and other. They provide a higher trim level than their competitors, but the price is the same or even lower (Academeg 2020). However, the quality of performance of these features that Chinese cars provide might be worse than the competitor's, which significantly affects the customer experience (Chong & Kleiner 2019). The author is going to find out how customers of the PRC car companies reflect on the performance of their cars and do they think whether the quality of performance is up to the level of the competitor car brands.

2.5 Liquidity of a car

Liquidity is the extent to which an asset can be bought or sold quickly without affecting the asset's price. An asset that can be sold rapidly for its full value is said to be highly liquid. Whereas an asset that takes longer to sell, or one that can only be sold at a discounted value, is considered less liquid, or illiquid (The Motley Fool 2015).

Liquidity of a car is the ability to sell the vehicle quickly at an average market price or with minimal losses. In Russia, most of the people consider the liquidity of a car an important aspect when buying a vehicle. The possibility to sell the car fast and with minimum depreciation means the ability to save more money for the future purchase such as car. On the secondary market in Russia, liquidity of a car depends on a vast number of factors such as the technical condition of a car, brand popularity, trim level, type of transmission, engine power and even colour. (Avtokapital 2020)

According to articles, liquidity of Chinese cars is relatively low. The previous study shows that on average, it takes about 1,5 months to sell a Chinese car such as Chery Tiggo 3 or Haval H6. Averagely, it takes about half of this time to sell a car from competitors' brands such as Hyundai Creta or Nissan Qashqai (Drom 2020). Thus, Chinese manufacturers might face difficulties if people consider their cars illiquid.

2.6 Phenol smell

Some articles show that there is a phenol smell inside the cars of PRC automakers. Phenol is a chemical element that in high amounts is toxic for the human organism. Some Chinese automakers use plastic and paint in their cars that contain phenol. In general, it is used in producing cheap plastic. In European countries as well as in Japan, it is prohibited to use low quality and toxic plastic when producing a car. Some people claim that instead of the smell of a new vehicle interior, they experience a pungent odour that is quite bothering. This effect is significantly enhanced when the car is exposed to the sun for a while, and the interior is heated, thereby releasing toxic elements. Moreover, this pungent smell can lead to headache and even nausea. (Avto-blogger)

2.7 Vehicle safety

When the first cars were produced, safety was not a number one priority by far. At that time, the idea of safety in vehicles was superficial. The car bodies were made of thick and strong metal. It was believed that the stronger the body, the better the safety is. However, this was not the case. When crashed, the solid body did not have enough softness to absorb the impact. As a result, a person would get much more severe injuries because the load-bearing elements of the whole body were rigid and most of the effect was on a person who at that time did not even have a seat belt. (Daimler AG)

One of the first influencers on passive car safety was Béla Viktor Karl Barényi, born in 1907 in Austria. In 1937 Barényi developed his idea of a “cell-based” motor vehicle design. The idea was that the different parts of the frame of a vehicle would react differently to mechanical stress. Namely, the middle of the car was rigid, but the front and rear were deformable aimed to absorb the kinetic energy in case of an accident. In 1939, Wilhelm Haspel was the one who liked this engineering solution, all thanks to the friend of Barényi who arranged the meeting with COB of Daimler-Benz AG. Haspel saw the potential in this young man and hired him, gave Barényi a workshop in Sindelfingen where he began the new era of motor vehicle passive safety. Later in 1953, the first passenger car with Barényi’s “crumple zone” technology was produced. This technology is used to this day almost in every passenger car. Béla Viktor Karl Barényi had a vast, gigantic impact on the automobile industry. Throughout his career, Bela acquired more than 2500 patents for his inventions. Moreover, his name is inducted into Automotive Hall of Fame in Detroit, USA. (Daimler AG)



Figure 1. Crumble zone technology with the rigid body (Mercedes – Benz)

Meanwhile in Sweden, in 1953 Volvo's design engineer, Nils Bohlin, patented the first three-point belt system. This patent is considered one of the most significant inventions of the 20th century. This technology is a standard of car nowadays, all thanks to Volvo that opened up the patent (England 2013). In 1963 Volvo introduced this technology as a standard in the U.S. In 1965 Europe made three-point belts obligatory feature for car manufacturers. Nonetheless, it took decades ~~after~~ to make people understand the importance of it. Even nowadays, some people still do not wear seatbelts when driving a car which often leads to severe injuries incompatible with life. According to statistics, belt safety systems saved about million lives for the period of 50 years since the invention. Nils Bohlin also was inducted into the Automotive Hall of Fame. (Historygarage; Arnoldclark)

2.8 Car safety in Chinese cars

In PRC, like in other emerging markets, vehicle safety was not gaining popularity as fast as in Europe or America. In some countries, carmakers cut production costs focusing only on pricing and fuel economy. The main reason for that is that people in countries with a low economy cannot afford expensive cars. However, there is a positive direction of change in some countries. Global awareness about car safety is increasing. Several years ago, the Chinese government started to promote C-NCAP (China New Car Assessment Programme) safety assessment aggressively. Thanks to them, this step encouraged the population to value the car safety. In addition, C-NCAP upgraded its' test protocols to be able to match European standards of road safety. It is reasonable to assume that cars became more expensive than previously. However, it was also the right direction into making Chinese car brands more attractive for customers. (Bardhan 2015)

Despite the fact that C-NCAP have upgraded their safety products, it is still unclear for the customer how to assess the safety aspect of Chinese cars. This information is good on

paper, but Russian citizens would trust more to the Euro NCAP (European New Car Assessment Programme) system. According to the Euro NCAP website, there are only two Chinese in their database: Geely Emgrand EC7 (Euro NCAP 2011) and Qoros 3 Sedan (Euro NCAP 2013). This means that almost none of the Chinese car manufacturers work with the European New Car Assessment Programme. Even though PRC automakers have raised the safety bar in their cars, in foreign markets, there is a high probability of sceptical attitude towards the safety of their products. For many people, safety is a number one priority when buying a car (Armstrong, 2018). Thus, Chinese companies might face a significant market share loss due to this attitude of the mass market.

3 Automotive industry and brand image

3.1 Brand image definition

What is the brand image? Brand image is a *collective representation which is shaped over-time* by the gathered experiences *of oneself, of close relations, by word of mouth and advertising* (Kapferer 2012). In other words, it is a set of beliefs and ideas and a perception of customers related to a particular brand. While the brand itself is a *sign*, and its' function is to reveal the *hidden* qualities of a product which cannot be accessed through contacts such as touch, smell, hearing and sight. Also, the brand is used to is to distinguish the company's products from others. (Kapferer 2012)

3.2 Importance of brand image

Brand image, nowadays, is essential for companies. When buying a product customer does not only buy an item, they buy what a brand stands for. It creates recognition of a company, and builds up the impression of an organisation. Thus, a brand image plays a dominant role in the company's success.

The brand image in the automotive industry is crucial. For the new market actors, it is tough to lure customers that are already tied to a particular car brand. It is true because in this segment *status and prestige* play a key role when buying a car. A strong brand image is a key to gaining a competitive advantage among other players. In general, a strong brand image impacts positively on the company's sales. Customers who are buying cars from "positive brands" are usually ready to buy for a higher price or in other words, they accept paying more for the brand. (Diehlmann & Häcker 2013)

4 Country-of-Origin Effect

4.1 COO effect

Consumer perceptions about a brand are being created by product or service experience. *Consumers also use a large number of objective sources of information to supplement their direct product experience (e.g., word of mouth, product reviews, and safety ratings). As a result, the perception-forming process is long and relatively immune to simple manipulation by the manufacturer, in contrast with most consumer goods, whose brand equity is created substantially through advertising.* (Hirsh 2003) However, the customer perception about the brand is not always objective. In some cases, the attitude towards a brand is created from the country-of-origin effect.

A major challenge of Chinese car companies in Europe is the negative 'Made in China' image that they hold. Previous studies concerning Chinese products have found that Western consumers usually prefer Western products or products from Japan and South Korea over Chinese products. (Holtbrügge 2017)

4.2 Country-of-origin definition

Country-of-origin (COO) refers to the nation where a product is produced or branded. (Czinkota 2013)

Commonly COO is indicated on the product by the labelling such as "Made in Japan". When a consumer is aware of COO, they might react negatively or positively based on their perception. For instance, many people would consider buying a watch made in Switzerland but would be less confident when thinking of buying a watch made in China. Another example is how the consumer perceives French perfume or Japanese cars. In Russia, there is a very famous catchphrase – "Reliable, like a Swiss watch". Many people do not know where it came from; however, most of the people heard this phrase at least once. The phrase is from the movie "The Big Lebowski", 1998. An interesting fact that originally this phrase sounds differently, and it is a Russian voiceover that came up with it. (Socratify)

Country-of-origin effect – is a general perception of a customer about goods produced or branded in a particular country. (Roth & Romeo 1992)

The research made by Ahmed & d'Astous in 1995 shows that customers awareness of COO of a product does influence the overall perception of a product. Thus, the perception of a product does affect the customer's decision-making process. (Ahmed & d'Astous 1995) The perception of product or brand may also be based on consumer beliefs about the countries'

industrial development and advanced technology, which are associated with the characteristics and quality of a certain product. (Magier-Łakomy & Boguszewicz-Kreft 2015)

Previous research shows that the younger audience is more open to the unexplored, exotic foreign products. Older people tend to be more ethnocentric and rigorous during the decision-making process. *Younger people are more exposed to a huge variety of products through constant usage of the internet and are usually less ethnocentric* (Kreppel and Holtbrügge 2012).

5 The buyer decision process

5.1 The buyer decision process

According to Kotler and Armstrong, the buyer decision process begins before the purchase was made and goes further after the purchase. It consists of five stages: *need recognition*, *information search*, *evaluation of alternatives*, *the purchase decision*, and *postpurchase behaviour*. (Kotler & Armstrong 2017)



Figure 2. The Buyer Decision Process (Kotler & Armstrong 2017)

Five stages of the buyer decision process:

1. **Need recognition.** The first stage of this process is when a customer recognises a need for a new product or a replacement for an existing one. External or internal stimuli can trigger this need. The example of *external stimuli* is when a customer saw an advertisement for a particular product and recognised the need for it. *Internal stimuli* can be triggered, for instance, when a person feels a biological need for a product such as a thirst or hunger. (Kotler & Armstrong 2017)
2. **Information search.** After the first stage consumer starts to collect information about the product, this is not always the case, and sometimes there is no need for the customer to search information, especially if the product is near to them. Also, the implication of this stage depends on the product itself. In the case of car purchase, most probably information will be obtained before the purchase was made. The sources of information are, for example, friend, online, consultant, or trial use of the product. Commonly, when more information is gathered, customer's knowledge and awareness about the different features and brands increases. (Kotler & Armstrong 2017)
3. **Evaluation of alternatives.** This stage includes the customer's evaluation of particular brands and features. In other words, it is a comparison of different brands to choose the product to buy accurately. It is not always the case that a buyer evaluates purchasing. It depends on a person, and sometimes assessment is a little process, or a choice made by intuition. In other cases, it might involve rational thinking and calculations. There are many ways to assess a product. These are online text or

video reviews, friends' opinions or advice of a salesperson etc. (Kotler & Armstrong 2017)

- 4. Purchase decision.** After the previous stage, where customer evaluates all the alternatives, there is a process of a purchase decision. According to Kotler and Armstrong, two factors can change the purchase decision – *attitudes of others* and *unexpected situational factors*. In the first case, it is when, e.g. somebody whose opinion is essential to the customer advice to change the purchase decision and buy other product. In the second case, for instance, a customer saw a comprehensive negative review of a product, and they changed the decision. It also might be that the financial situation of a consumer suddenly turned to worse, and it is more rational to buy a cheaper product. (Kotler & Armstrong 2017)
- 5. Postpurchase behaviour.** Marketers should keep in mind that after the purchase of a product, the buyer decision process is not done yet. After the product is sold customer either is satisfied or dissatisfied with it. It depends on the customer's expectations and product characteristics and performance. Also, the level of dissatisfaction depends on the *negative gap between expectations and performance* (Kotler & Armstrong 2017). Moreover, large purchases such as cars mostly cause cognitive dissonance or postpurchase discomfort. Usually, this is caused by the compromises that consumer is dealing with as well as the missed advantages of a different brand. In other words, after a significant purchase, a small compromise might make a customer feel "uneasy". Marketers' job in this stage is to ease this feeling of discomfort. For example, after purchasing a car, a manager can gift a one more year of warranty, free car wash or extra accessories. (Kotler & Armstrong 2017)

This concept does not fit all the products that consumer buys. More routine purchases such as milk or bread do not always involve all the steps of this process. It depends both on consumer and a product. Nevertheless, a significant purchase such as buying a car almost for every consumer would involve all the steps of the "buyer decision process". (Kotler & Armstrong 2017)

6 Consumer behaviour “Black Box” model

6.1 “Black Box” model

The buyer’s black box model shows how marketing and other stimuli insert the buyer’s “black box” producing particular responses. For marketing managers, it is essential to identify how stimuli change into responses inside the “black box” which is divided into two parts. First part is about the influence that is based on consumer’s characteristics – how they perceive as well as react to the stimuli. The characteristics contain a variety of social, cultural, psychological, and personal factors. In the second part, the consumer’s decision process affects itself on their behaviour. (Kotler & Armstrong 2017)

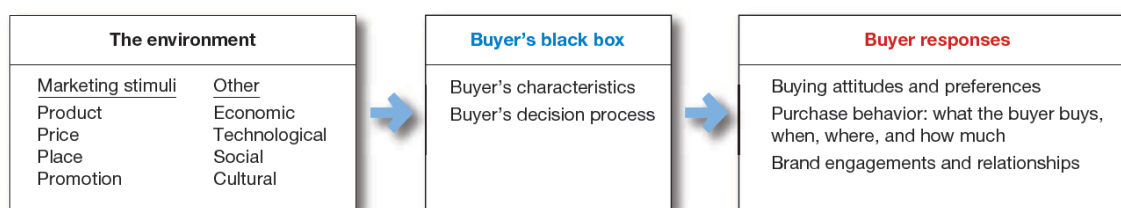


Figure 3. Consumer Behaviour "Black Box" Model (Kotler & Armstrong 2017)

The marketing 4Ps is considered one of the external factors that influence the consumer “black box”. It is a set of marketing tools that work together in order to satisfy customer needs, build relationships with consumer and engage them. By using this mix of tools, companies seek to influence demand for their products as well as promote it. (Kotler & Armstrong 2017)

The marketing mix is divided into four elements that are called 4P’s of marketing – product, promotion, price and place:

Product – is a combination of goods and services that a company provides to a target customer. At this stage, it is quite significant to identify the demand and analyse customer behaviour in order to understand the needs successfully. In the car industry, for instance, if the core product is transportation from A to B, the services and benefits around core product might be the style, safety, fuel consumption, and ride. (Kotler & Armstrong 2017)

Price – customer pays a certain amount of money to acquire the product. This aspect plays a significant role in the company’s level of success. If a company fails with its pricing strategy, and the price does not fit the target segment expectations, it might lose a significant amount of share of the market. Thus, a customer might search an alternative and find the product that meets the price expectations. (Kotler & Armstrong 2017)

Place – refers to the company's activities that affect the availability of a product to the target customer. Company's duty is to establish distribution channels to reach the customer correctly. A lack of distribution channels might lead to loss of market share. Therefore, a customer is going to search for an alternative brand that better fulfil the market. In the car industry, with the help of digitalisation, we can search for all the information about a car on the internet (Kotler & Armstrong 2017). One of the first ones who made the car purchase process easier is Tesla. In the US Tesla provide the possibility to configure the trim level online, and after it is possible to deliver the car to the given address. (Tesla)

Promotion – is a set of activities that engage the customer to buy the company's product. Consumer behaviour is substantially affected by advertising. The task of marketing managers is to clearly convey the message to lure customers into acquiring a company's product. Promotion is essential in order to build up a good impression of the brand. With the popularisation of online ads, car manufacturers started to take advantage of online services. Many companies, nowadays, collaborate with "social influencers". For instance, it can be short videos on Instagram showing the features of a car or a full review on YouTube. This helps not only to promote the product but also get customers acquainted with the product and build up a first impression of the product. (Kotler & Armstrong 2017)

In general, customers go through buyer decision processes almost on a daily basis, and marketers' job is to focus on this process. They analyse customer purchases to find out what consumer buy, how much and where. However, the questions *whys* in consumer behaviour are quite difficult to answer because they *are often locked deep within the consumer's mind*. Moreover, commonly customer cannot accurately identify what influences their buying decisions when buying certain goods. (Kotler & Armstrong 2017).

Marketing stimuli were described previously. Other stimuli can be described as follows:

Economical – the level of income substantially influences customer behaviour. In general, people tend to purchase goods that fit their economic situation. This factor also depends on the economy of a particular country that a company operates in. Therefore, it is needed to establish a proper pricing strategy to attract target customers. (Kotler & Armstrong 2017)

Technological – people are more likely to buy a product that is going to make the daily routine processes easier or less time-consuming. In the modern world, it is crucial that organisations should follow the technological achievements and create a product that fulfils the customers perception of a product as well as meet the expectations. (Kotler & Armstrong 2017)

6.2 Customer's characteristics

Marketers should be aware of the buyer's characteristics to attract customers, and considering these factors create a demand for the company's product. It is impossible to make a product that would consider all the attributes of all of the individuals of target segments. However, the main ones are as follows:

Culture – to successfully attract customers into buying company's product marketers should identify cultural features of the target consumer. It is worth to understand the culture, subculture, and social class of a target customer. Culture lies among the fundamental causes of the buyer's behaviour and wants. A company that sells a product not considering the cultural values and features of a specific region will fail in sales results. (Kotler & Armstrong 2017) For example, Mitsubishi sells its' "Pajero" under the model name "Montero" because "Pajero" is an offensive word in Spanish culture. General Motors failed when they were trying to sell its car under the name "Chevrolet Nova". "No va" in Spanish means "It doesn't go". (Oddee 2008)

Social class is a substantial detail of the target customer. Social class is measured by the level of income, occupation, wealth, education and other different aspects. (Kotler & Armstrong 2017)

Social factors – consumer behaviour is significantly affected by social factors. These factors might be characterised by customer's small groups, family, social networks, social roles or status. Groups have a direct impact on the customer decision-making process. For instance, *word-of-mouth influence* might have a significant effect on the buyer's behaviour. Human tend to trust more to the people that are important to them – friends, family, and other associates influence the consumer decision process vastly. Also, companies might engage in so-called "social influencers" in order to advertise their products. Thus, people who share the beliefs of those influencers tend to trust the words that they say. (Kotler & Armstrong 2017)

Role and status also have a substantial impact on customer's behaviour. An individual is more likely to purchase the product that fits his or her role and status in society. For example, a father of two is a wealthy person with high family income; he holds the position of a senior manager in an international company. Recently, he got the idea of buying a new car. He might think of purchasing a Mercedes – Benz station wagon. The premium brand, as well as the strict and formal design, would complement his status, and the spaciousness of wagon car might be a great solution to drive around with his family members. (Kotler & Armstrong 2017)

Personal factors – the buyer's behaviour is influenced by personal features such as age, lifestyle, self-concept, personality and occupation. It is substantial to identify these factors of target consumers in order to attract buyers. For instance, the occupation plays a role in a customer's buying behaviour. If a buyer's job involves long-distance travels, he or she might choose a car that has low fuel consumption level and is reliable. The lifestyle of the person is also essential. Companies better to make a product that complements the lifestyle of the target customer. Lifestyle includes many factors such as beliefs of a customer, what they wear, what they eat, or do they care about the environment. (Kotler & Armstrong 2017)

Age and life stage are one of the most critical factors in buyer's behaviour, especially in such market segments such as the fashion industry. In general, people change their buying decisions through a lifetime. As people get older, they tend to purchase the products that better match their life stage. Major events have a significant impact on what a person buys, i.e. marriage, becoming a parent, job promotion or divorce. Life-stage segmentation is a useful instrument that managers use to understand the customer better. (Kotler & Armstrong 2017)

The economic situation is one of the primary influencers of consumer behaviour. Personal income, savings of a person have a direct impact on the sales of a company. Managers should take action into creating more customer value for their products. For instance, Apple sells its iPad Air – a version of the iPad model line, which is cheaper than iPad Pro. In such a way, the company engages customers with a lower budget that cannot afford the expensive version of a tablet but want to get a similar experience for a lower price. (Kotler & Armstrong 2017)

Personality and self-concept are also impactful on buying behaviour. The brand has its own personality and customers more likely to buy from a brand that matches their personality. For instance, Subaru WRX Sti is a product for the car enthusiasts who enjoy the driving experience, the speed and the full control of the vehicle. The buyer of such vehicle perceives themselves as a young and energetic car geek, who consider their car more than just a carriage on four wheels. (Kotler & Armstrong 2017)

Psychological factors – this is one of the buyer's characteristics that influenced by such factors as perception, motivation, learning, beliefs and attitudes. Motivation can be arising from, i.e. thirst or hunger or even discomfort – these are biological needs. When motivation exists in the customer's mind, further actions are influenced by the perception factor – *how people select, organise, and interpret information to form a meaningful picture of the world.* (Kotler & Armstrong 2017)

Learning aspect is involved when customer act. It characterises the changes in a person's behaviour when they experience. If the experience is pleasant or rewarding, an individual tends to use the product more. For example, in the car industry, this process is essential. People are more likely to stick to a particular car brand if they had past experience with that brand that they enjoyed. After the learning process, the customer creates certain beliefs and attitudes. Beliefs may be based on individual opinions or actual knowledge as well as faith that might be formulated by emotions. At the same time, attitudes can be bases on various number of aspects, such as religion, music, food and politics. These are almost impossible to change. Thus, a company should consider these aspects and present a product that fits the attitude patterns of a target consumer. (Kotler & Armstrong 2017)

7 Brand identity

7.1 Brand identity prism by Kapferer

This prism by Kapferer helps to build strong brand identities that represent the core values of a company. The prism is divided into several elements such as physique, culture, personality, reflection, self - image and relationship. This prism is relatable to the car companies in general. (Kapferer 2012)

The following explanations of the prism elements are:

- **Brand physique.** Brand physique in the automotive industry plays an important role. For instance, the brand physique of BMW cars is about the sharp and aggressive design of their vehicles or the well-known quality of the exterior and interior of their vehicles. (Kapferer 2012)
- **Culture.** This element of Kapferer prism represents the importance of the brand culture of a company. It delivers the cultural values of a company to its' brand. Culture of a brand can play into the hands of the company in the environment that the company is originated. However, the foreign operations of a company require different approaches due to cultural differences (Kapferer 2012). In the automotive industry, usually, companies use different model and brand names for their cars. For instance, Hyundai sells its "Solaris" in Russia. In China, the same vehicle is trading under the model name "Verna". Also, the same car might look a bit different depending on the country it is being sold. (Vladimirskiy 2019)
- **Personality.** Brand personality answers to the question "who are you?". The answer to this question can lay from the style of a font to the ideas of a company (Kapferer 2012). For instance, BMW cars are associated with well-built, luxury, providing a precise and sporty driving experience machines, and their slogan is "Sheer Driving Pleasure". (Giese 2020)
- **Reflection.** This element is about the target audience of a company, or in other words, who is the typical consumer of a brand. It plays a significant role in creating a brand image. For instance, in the car industry, there are specific brand perceptions of different vehicles. These may be interpreted like: "this car is a car for enthusiasts"; "it is a family car"; "a car for young people". Thus, the brand is building a reflection to identify the brand identity accurately. (Kapferer 2012)
- **Self-Image.** According to Kapferer, self-image is about how customer feel, what emotions they experience when using companies' goods. For instance, BMW cars

might make customers feel the joy of driving. The interior in their cars provides pleasant touch feelings as well as satisfaction with the design of the interior. (Kapferer 2012)

- **Relationship.** This element is about building a relationship between people and the brand. Dealerships of certain car brands develop different relationships with their customers. Some companies have a better connection with their customers than others. Some provide more types of contact, such as Instagram, Twitter, and Facebook profiles. Premium car brands might offer better customer care than others. (Kapferer 2012)

KAPFERER'S
BRAND IDENTITY PRISM

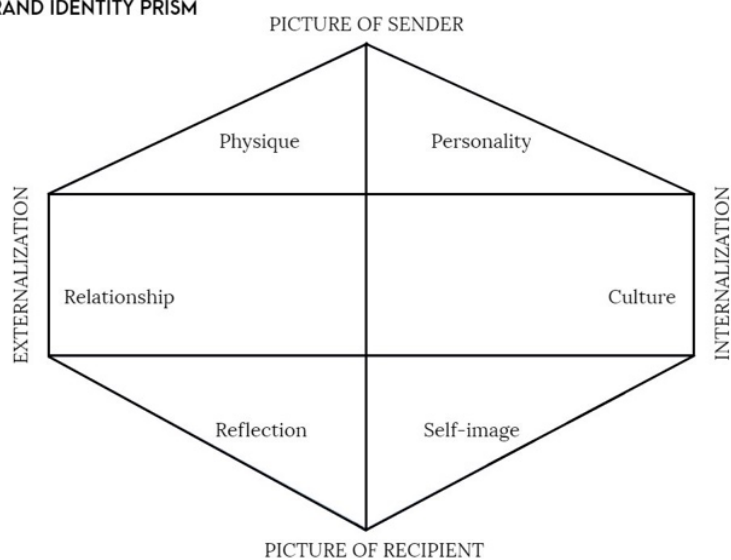


Figure 4. Kapferer's Brand Identity Prism (Kapferer 2012)

8 Empirical Data

8.1 Quantitative analysis

This thesis applied the quantitative research design to investigate the customer perception of Russian consumer towards Chinese automakers. The research results are going to be presented in a descriptive manner. Quota sampling was used for this study. Therefore, the population was divided into two subgroups.

Quota sampling is, therefore, a type of stratified sample in which selection of cases within strata is entirely non-random (Barnett 2002).

The survey was divided into two sectors. The first sector represents people that own a car of one of the Chinese brands. To make it easier for the reader, the author decided to name this sector as “1”. The second sectors represent those who do not own a car of PRC brand, and it is named as “2”. The survey includes the multiple-choice question, yes/no, a Likert scale and also a couple of open-ended questions.

The survey data was being collected from 15th of October 2020 until the 5th of November 2020. The questionnaire was distributed using online social platforms such as Facebook, V.K., drive2 and different car enthusiast forums on the Russian network. It was assumed that the answers would not vary from different parts of Russia; therefore, the location of the respondent was not considered.

8.2 Results of the study

The total amount of respondents after the survey was closed was totalled 107. However, 3 of the responses were considered not good quality. Some of the participants have answered questions in an inappropriate and disrespectful way. Therefore, after deleting those answers, the number of respondents is 104. Each sector contains 52 respondents. The presented answers were translated from the Russian language to English as literal as it was possible. The results were analysed in SPSS

The results of the survey are going to be provided in the order as follows:

1. Background of the respondents.
2. How consumer value safety.
3. Consumer perception about car safety in Chinese cars.
4. Customer thoughts on why Chinese automakers have a small share in the market.
5. What consumer think about phenol smell.
6. Customer thoughts on their Chinese cars

7. Cost-of-Origin effect and scepticism towards the Chinese automotive industry.

Background statistics

Table 1 illustrates the mean ages of respondents from sector 1 and 2. In sector 1 the minimum age of participants is 19, and the maximum is 51. The mean number is 31. In sector 2 the minimum age of survey participants is 21 and the maximum is 65. The mean age is 40. Thus, it is possible to assume that on average, the owner of Chinese car is approximately nine years younger than the rest.

How old are you?

	Sector 1	Sector 2
Mean	31.29	40.12
N	52	52
Std. Deviation	8.216	11.483
Minimum	19	21
Maximum	51	65

Table 1. Age of participants.

Table 2 shows the mean monthly personal income of respondents from sector 1 and 2 combined. The mean income of sector 1 is about RUB 77 thousand, which is about EUR 840. the mean income of sector 2 respondents is about 93 thousand, which is approximately EUR 1000. Thus, it can be said that on average, an owner of the Chinese car has slightly less income than the rest.

What is your monthly income?

	Sector 1	Sector 2
Mean	77653.85	93846.15
N	52	52
Std. Deviation	44363.863	56580.113
Minimum	16000	11000
Maximum	230000	250000

Table 2. Monthly income of participants

How consumer value safety.

In table 3, the provided answers from both sectors combined confirm that vehicle safety is a substantial concern among consumers. About 90 per cent of people do consider this aspect as an essential aspect in general, and about 30 per cent consider this aspect as “very important”. Only nine people have chosen answer “nonessential” or “not important at all.”

How important is car safety for you?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very important	32	30.8	30.8	100.0
	Important	63	60.6	60.6	60.6
	Nonessential	7	6.7	6.7	67.3
	Not important at all	2	1.9	1.9	69.2
	Total	104	100.0	100.0	

Table 3. The importance of safety to the Russian consumer

Consumer perception about safety in Chinese cars.

Table 4 indicates the customer perception towards the safety of PRC cars in sector 1. More than 80 per cent of respondents believe that Chinese cars do meet modern safety standards. This is where it gets controversial.

How much do you agree with the fact that Chinese cars meet the current safety standards of vehicles?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	17	32.7	32.7	100.0
	Agree	27	51.9	51.9	51.9
	Disagree	8	15.4	15.4	67.3
	Total	52	100.0	100.0	

Table 4. Do consumers think that Chinese cars meet safety standards

Table 5 illustrates the answers from the sector 2. One can assume that about 60 per cent of respondents do not consider PRC automobiles to meet safety standards. This information is especially significant because as it was shown in table 5, car safety is an essential aspect for the vast majority of the population. Thus, lack of trust to one of the most crucial aspects

of a vehicle can possibly lead to small sales. The lack of trust does not necessarily represent the real situation. Cars from Chinese brands that participants own do meet the modern safety measurements, at least on paper.

How much do you agree with the fact that Chinese cars meet the current safety standards of vehicles?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	5	9.6	9.6	86.5
	Agree	16	30.8	30.8	30.8
	Disagree	24	46.2	46.2	76.9
	Strongly disagree	7	13.5	13.5	100.0
	Total	52	100.0	100.0	

Table 5. Do consumers think that Chinese cars meet safety standards

Customer thoughts on why Chinese automakers have a small share in the market.

In this part of the analysis, the information will be presented from two sectors together. In other words, the answers are taken from sector 1 and 2 and then combined.

Figure 5 shows that about 60 per cent of people agree that Chinese automakers are losing a market share because of the sceptical attitude of the Russian consumer towards Chinese products. About 2 per cent feel neutral, and about 37 per cent disagree or strongly disagree.

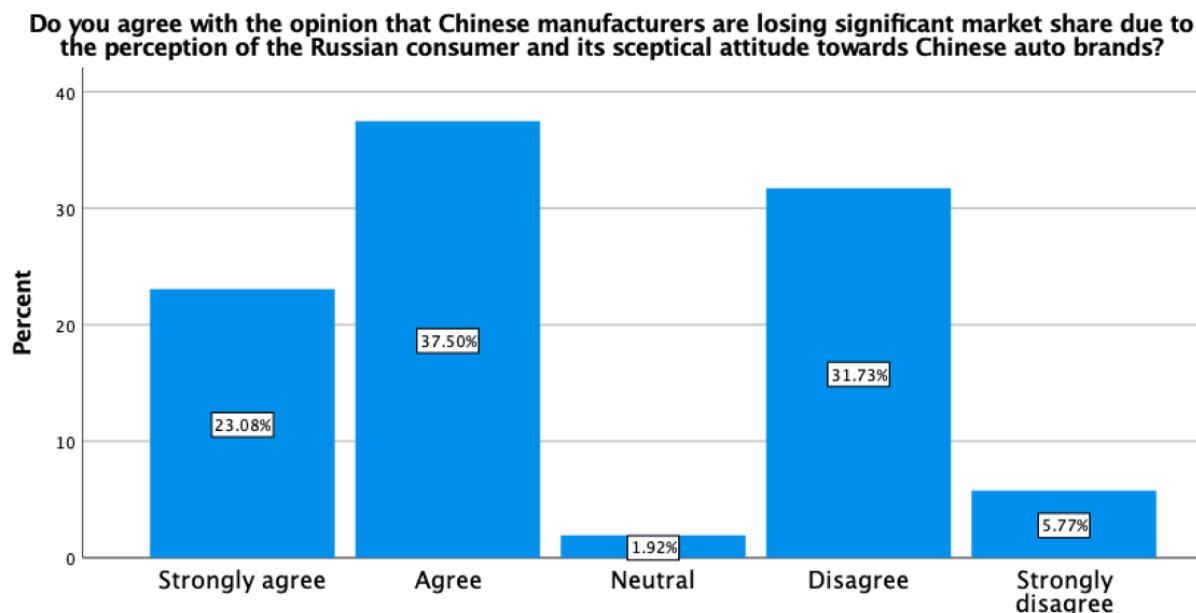


Figure 5. Why Chinese car brands lose a significant amount of share

Figure 6 shows that about 60 per cent of people disagree that Chinese automakers are losing the market share because of the build quality issues of their passenger vehicles. About 37 per cent agree with this opinion, and the rest feel neutral.

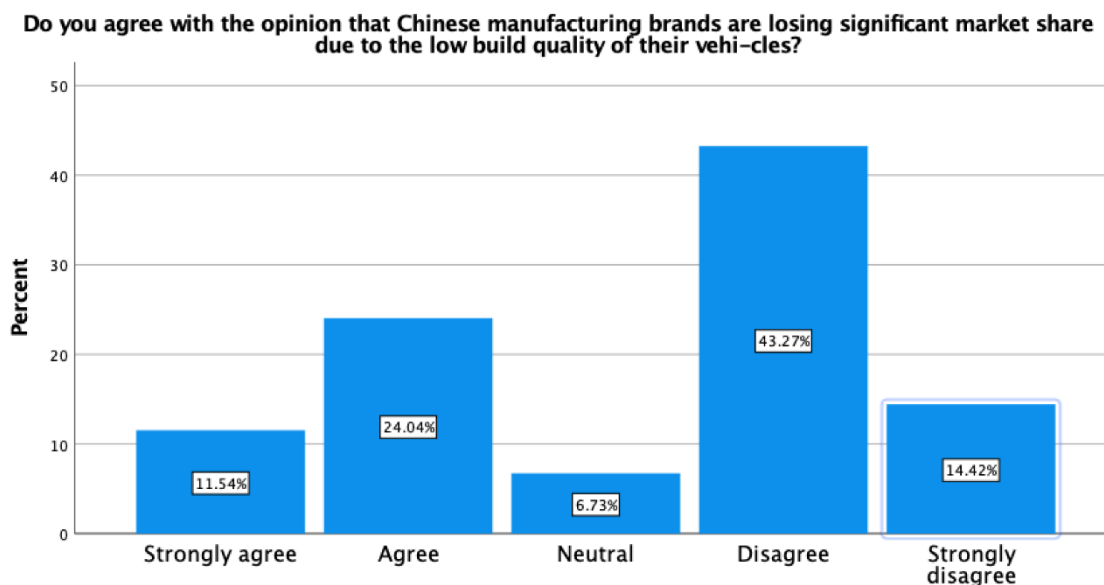


Figure 6 Why Chinese car brands lose a significant amount of share

Figure 7 illustrates the answers regarding the liquidity issues of PRC car brands. Majority of respondents believe that the low liquidity is the reason for the market share loss – about 64 per cent. This number is significant, and perhaps people are aware of this phenomenon. Low demand for such cars creates low liquidity which, again, may also create less demand. In other words, people may reject the idea of buying a car from Chinese automakers because they know that the liquidity of these cars is poor. The liquidity is one of the significant concerns in such price range. People with low-to-mid income tend to choose vehicles that in future they will be able to sell fast and with minimum depreciation rate.

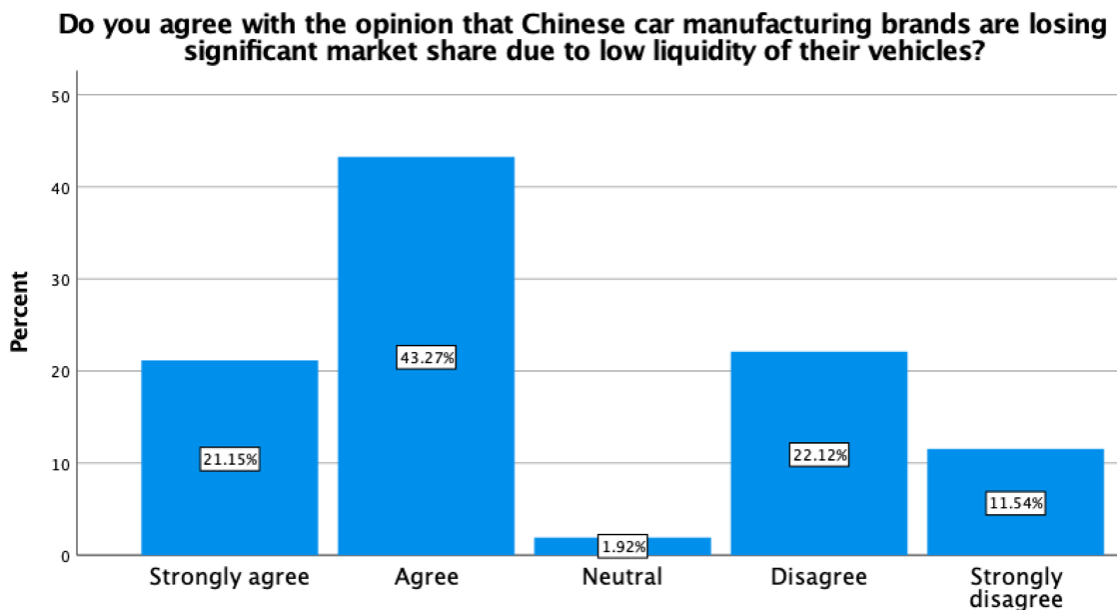


Figure 7. Why Chinese car brands lose a significant amount of share

After seeing table 5, it is possible to assume that the opinions about car safety of Chinese cars are parted away. Figure 8 indicates the same tendency. About 41 per cent of people believe the safety is the cause of a small market share of PRC automotive brands in Russia. However, 55 per cent of people think the opposite and the rest is neutral.

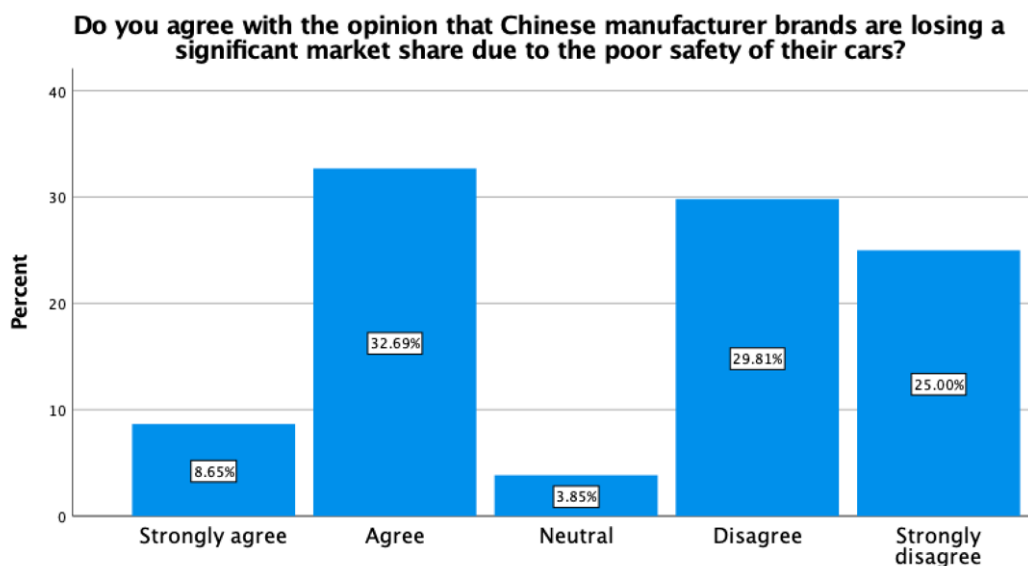


Figure 8. Why Chinese car brands lose a significant amount of share

Figure 9 shows that more than 61 per cent of people do not agree with the opinion that low reliability is a cause of such small sales of Chinese cars. About 34 per cent of people think positive, and almost 3 per cent are neutral.

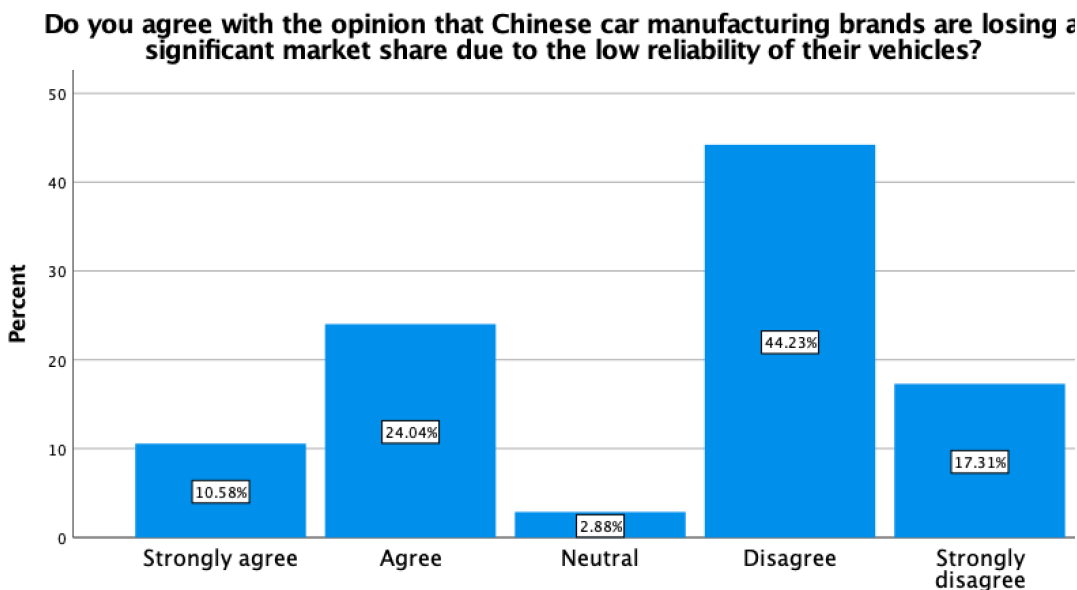


Figure 9. Why Chinese car brands lose a significant amount of share

What consumer think about phenol smell inside of PRC cars.

Table 6 shows the answers from sector 2 regarding their awareness of the phenol smell phenomenon inside of Chinese cars. About 57 per cent of people have heard about it. This number is significant. If people associate cars of PRC auto brands with the cheap plastic smell, they will not even consider the option of buying one. Even if it is a post-truth world of Chinese automotive industry, it may still leave a mark on the reputation of Asian automakers.

Have you ever heard of the phenol smell inside of Chinese cars?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes, I have	30	57.7	57.7	100.0
	No, I haven't	22	42.3	42.3	42.3
Total		52	100.0	100.0	

Table 6. Are people familiar with phenol smell?

Respondents from sector 1 mostly have never experienced phenol odour inside of their cars. Table 12 shows that only three people out of 52 claims that there was a chemical smell inside of their cars. According to articles, after buying a new vehicle, this smell fades with the time. However, it might still cause bad customer experience, especially when you expect only positive emotions when driving a brand-new car.

Is there a phenol smell inside your car?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	49	94.2	94.2	94.2
	Used to be	3	5.8	5.8	100.0
	Total	52	100.0	100.0	

Table 7. Customers of Chinese companies and phenol smell

Customer thoughts on their Chinese cars.

Figure 10 shows what car people from sector 1 own. There are four car brands that respondents own. The most common is Geely, followed by Great Wall, Haval and Chery.

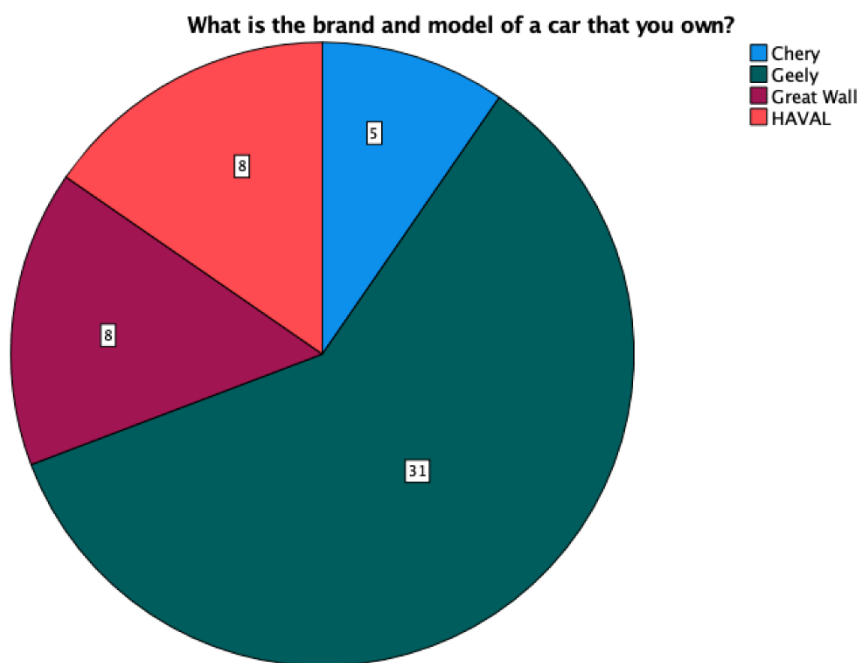


Figure 10. Cars that respondents own

Table 8 shows that text reviews are the most popular channel during the information search step. Also, influencer marketing also shows that it does an adequate job promoting Chinese brands. The second most popular answer is “saw the dealership”. Perhaps, the curiosity of some Russian customers is a driver for exploring new products. Only a few people were affected by advertisements in public spaces, T.V. commercials and the ads on YouTube – about 7 per cent in total.

How did you find out about the brand of your car?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	52	50.0	50.0	50.0
Advertisement in public spaces	3	2.9	2.9	52.9
Read the text review on the internet	17	16.3	16.3	69.2
Saw the ad on TV	1	1.0	1.0	70.2
Saw the dealership	15	14.4	14.4	84.6
Saw the pre-roll/mid roll ad on YouTube or any other streaming platform.	3	2.9	2.9	87.5
Watched a YouTube blogger reviewing this car	13	12.5	12.5	100.0
Total	104	100.0	100.0	

Table 8. How owners of PRC cars found out about them

Table 9 presents the answer of respondents from sector 1. The most popular answer on what was the most attractive factor that made them purchase their cars is the price/quality ratio. It is reasonable to say that Russian consumer seeks for the best quality for the best price products. The vast popularity of Chinese consumer electronic brands such as Xiaomi supports this fact. Due to the low economy, some Russian customer seeks for reasonable prices, and others might just want to be open to the new unexplored products.

What was the main factor that prompted you to buy this car?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Appereance. The quality of materials in the interior, number of features.	1	1.9	1.9	1.9
	Comfort	1	1.9	1.9	3.8
	Comfort and number of features	5	9.6	9.6	13.5
	Comfort and reliability	1	1.9	1.9	15.4
	Favourable loan conditions	7	13.5	13.5	28.8
	Number of features	1	1.9	1.9	30.8
	Practicality	3	5.8	5.8	36.5
	Price/quality ratio	30	57.7	57.7	94.2
	Price/size ratio	1	1.9	1.9	96.2
	Price/size/safety ratio	1	1.9	1.9	98.1
	Quaility, materials, price, design, comfort	1	1.9	1.9	100.0
	Total	52	100.0	100.0	

Table 9. The main factor that prompted to choose a specific car

Table 10 shows that the lion's share of the group believes that the number of different electronic is a competitive advantage of the Chinese vehicle brands. As it was mentioned in the theoretical part, PRC companies provide a broad range of characteristics for the reasonable price. For example, a Japanese car would be less equipped for the same price.

Do you think that for the price of your car, it outperforms other brands of non-Chinese brands when it comes to the number of different features (for example, 360 camera, infotainment electronics, etc.)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	22	42.3	42.3	100.0
	Agree	25	48.1	48.1	48.1
	Neutral	2	3.8	3.8	57.7
	Disagree	3	5.8	5.8	53.8
	Total	52	100.0	100.0	

Table 10. Number of features

Despite the fact that the number of features is a "trump card" of Chinese manufacturers, results show that it is not that simple. As table 11 indicates, about 60 per cent of respondents think that the performance of these features is somewhat worse than competitors provide.

About 29 per cent do believe these features is up to the level of the Japanese, German, Korean and American car brands. The rest, about 10 per cent, neither agree nor disagree.

If you agree, do you think that the performance of these features is up to the level of cars of Japanese, German, South-Korean and American brands?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	5	9.6	9.6	92.3
	Agree	10	19.2	19.2	19.2
	Neutral	5	9.6	9.6	82.7
	Disagree	28	53.8	53.8	73.1
	Strongly disagree	4	7.7	7.7	100.0
	Total	52	100.0	100.0	

Table 11. Quality of performance

According to table 12 results, most of the respondents are satisfied with their purchase. More than 80 per cent of Chinese car owners have positive experiences with their vehicles. These results are suitable for the Asian companies because a satisfied customer by high chance might become a loyal customer.

How satisfied are you with your car?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Highly satisfied	23	44.2	44.2	51.9
	Satisfied	24	46.2	46.2	100.0
	Neither satisfied or dissatisfied	1	1.9	1.9	53.8
	Dissatisfied	4	7.7	7.7	7.7
	Total	52	100.0	100.0	

Table 12. Level of satisfaction of Chinese cars' owners

Table 13 shows that the majority of the sector 1 group wish that the liquidity aspect of their cars was better – 42 to answers and 33 per cent of respondents have chosen this category as one of their wishes. This table is an excellent example of how Russian consumer value the liquidity in cars. The next standard answer is the quality of electronic equipment. This confirms the supposition that the quality aspect of electronics in Chinese cars is on the low level and cannot compete with the global automotive manufacturers yet. Build quality is also a prevalent concern amount the respondents. Having about 15 per cent of respondents

point out this aspect means that there is a room for improvement that Chinese automakers should consider. The comfort of the car plays an essential role in the product choice of the Russian consumer, especially when the vast amount of this country's roads leaves much to be desired.

What you wish was better in your car?

		Responses		Percent of Cases
		N	Percent	
a	Comfort	17	13.6%	32.7%
	Design	11	8.8%	21.2%
	Quality of electronics (infotainment, cameras, adaptive cruise, etc)	30	24.0%	57.7%
	Liquidity	42	33.6%	80.8%
	Build quality	19	15.2%	36.5%
	Safety	6	4.8%	11.5%
	Total	125	100.0%	240.4%

Table 13. What owners wish was better in their cars

Table 14 illustrates that the majority of people claim that there is a high chance that they will consider buying another Chinese car in future. This means that there is at least some brand attachment of customers to the PRC car brands.

What is the chance that you will buy another Chinese car in future?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	High chance	30	57.7	57.7	57.7
	No chance	2	3.8	3.8	61.5
	Slight chance	20	38.5	38.5	100.0
	Total	52	100.0	100.0	

Table 14. The chance of buying another vehicle in future

Cost-of-Origin Effect and scepticism towards the Chinese automotive industry

In this part of the study, the cost-of-origin effect will be presented in the form of the analysis of 52 respondents from sector 2.

Table 15 indicates that 47 people out of 52 answered that they would instead buy a Japanese car. This is not surprising because Russian people love Japanese cars for their reliability and liquidity. However, the fact that they would choose a used 5-7 years old used car show the general attitude of the sample.

Imagine you are buying a car. What would you choose, a brand-new Chinese car or 5–7 years old Japanese car?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Chinese car	5	9.6	9.6	9.6
	Japanese car	47	90.4	90.4	100.0
	Total	52	100.0	100.0	

Table 15. Cost-of-origin effect

Table 16 illustrates the situation alike. The vast majority of respondents would buy a used South-Korean car. Korean cars, such as KIA and Hyundai, are one of the most popular ones on the Russian market. They are reliable, have decent brand images, adequate liquidity and low cost of service.

Imagine you are buying a car. What would you choose, a brand-new Chinese car or 5–7 years old South-Korean car?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Chinese car	12	23.1	23.1	23.1
	South-Korean car	40	76.9	76.9	100.0
	Total	52	100.0	100.0	

Table 16. Cost-of-origin effect

Table 17 indicates that 42 out of 52 people would buy a used German car instead of the brand-new Chinese one. This number is vast. It shows the general perception of Russian consumer towards PRC automotive industry. Important to notice that in Russia 5-7 years old German cars are considered less reliable than Japanese and South – Korean ones. The cost of service of a German car irrelatively expensive and the liquidity of these cars is lower in general.

Imagine you are planning to buy a car. What would you choose, a brand-new Chinese car or 5–7 years old German car?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Chinese car	10	19.2	19.2	19.2
	German car	42	80.8	80.8	100.0
	Total	52	100.0	100.0	

Table 17. Cost-of-origin effect

It is safe to assume that one of the reasons for such results is that, generally people get the country-of-origin effect when it comes to buying products like cars. On a cognitive level, COO *is cue for product quality*. Also, if people feel averse to all goods produced in PRC, it might set the general bias perception of the whole industry.

If the country, product and consumer personalities are in sync, consumers feel an affinity to the product, while country-of-origin animosity or negative bias may lead to product avoidance. (Cristea et al. 2014.)

Table 18 provides answers from sector 2 respondents regarding the sceptically issues towards PRC cars. As it is shown, about 65 per cent of consumers feel sceptical about automobile brands. This number is relatively high; however, after seeing the answers from a previous question, this result becomes more meaningful.

Do you feel sceptical towards the Chinese automobile brands?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	18	34.6	34.6	34.6
	Yes	34	65.4	65.4	100.0
	Total	52	100.0	100.0	

Table 18. Scepticism towards Chinese brands

There was one more optional open-ended question in which respondents had to answer to the question “if yes, why you think you feel that way?” It is important to note that none of the Chinese car brands were mentioned in this question. The answers do not represent the real picture, and they only show the general perception and the opinions of people towards

PRC automotive industry. The responses were translated literally, word-by-word. The answers are as follows:

- "After 3-5 years, the car would fall apart."
- "Bad price/quality ratio."
- "I do not know anyone who owns one."
- "Because they are Chinese" -
- "Anything made in China is associated with cheap and low quality."
- "I do not trust the quality of Chinese products."
- "I saw the consequences of an accident involving a Chinese car, and the vehicle was in a really bad condition."
- "Lack of quality, comfort and safety of Chinese cars."
- "Lack of trust in Chinese products."
- "Low liquidity" – the same answer from 3 respondents
- "Low quality."
- "So far, Chinese car brands have raised doubts and vigilance. I would rather overpay for a more popular brand and not to worry about the possible negative outcomes."

Answers show that common opinion among Russian consumer is that Chinese products do not deliver decent quality. Also, popular kind of answer is "because they are Chinese" or "anything made in China is associated with cheap and low quality". This again supports the idea that the country-of-origin effect takes place when Russian customer thinks about products like passenger cars or any other goods.

Table 19 indicates that the majority of people admit the possibility of buying a PRC branded car in future. This means that albeit people are not inclined to trust Chinese manufacturers, however, ultimately most do not exclude the possibility that in the future, their points of view will change, and they will buy one. At the same moment, 42 per cent of people answered: "no chance" and this number is quite significant.

**What is the chance that in the future you will buy a car
from a Chinese manufacturer?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	High chance	1	1.9	1.9	1.9
	Slight chance	29	55.8	55.8	100.0
	No chance	22	42.3	42.3	44.2
	Total	52	100.0	100.0	

Table 19. The chance of buying a car from PRC manufacturers

9 Discussion

After analysing the results, it is safe to say that the opinions of the two sub-groups are for the most part, very different. Respondents from sector 1 are generally satisfied with their choice. Their consumer openness and willingness to explore new products is an excellent example of how the COO effect does not always work. As it was mentioned in the theoretical part, customer behaviour depends heavily on economic stimuli. In other words, their choice is due to lower-income and the desire to save money by choosing products considering the good the price/quality ratio. The lion's share of customers from sector 1 have a positive or extremely positive attitude to the purchased cars. This means that there is a good prospect for further development of Chinese auto companies in Russia. In addition, it is worth to say that doubts towards the safety aspect have been dispelled. Both information sources and respondents claim that Chinese cars do meet modern safety standards.

On the contrary, sector 2 is very sceptical towards Chinese car manufacturers. The perception towards the brands of PRC might be based on the beliefs about the technological development of the country where the brand is originated. Therefore, sector 2 respondents are likely to believe that Chinese companies are not able to satisfy their “technological stimuli”.

A group from sector 2 do not trust the safety aspect of PRC branded cars. As it was mentioned in the theoretical part, such an attitude might be caused by the greater age of sector 2 respondents. They might be stricter when it comes to choosing products, and their preferences might be based only on their past experiences. Therefore, it is assumed that it takes much more effort to encourage older consumers to buy an unknown for them product. The answers from the study show that they value more the car brands of German, Japanese and South-Korean manufacturers. However, it is also essential to note that majority of people believe that in future there still might be a that they will consider purchasing a Chinese car.

By analysing the questions from two groups combined (sector 1 and 2), it is possible to assume that from people' point of view the liquidity is the most significant reason why Chinese automakers lose a big market share in Russia. In general, a car with decent liquidity is considered as reliable and highly demanded on the secondary market. However, this aspect is a really complex and tough to manipulate on. This aspect can be changed in a positive direction if the perception of Chinese cars is going to be improved.

From analysing the literature and responses, the author has created some suggestions that theoretically could help the Chinese automakers to improve their sales:

First, although owners of PRC cars believe that their vehicles provide good quality for the reasonable price, there are still some points needed to be improved. For example, the quality of the electronic features such as 360-degree cameras, parking sensors and infotainment systems. In other words, adding a massive number of electronic features is not just enough. It is also vital that these features perform well. For instance, there might be a place for the camera quality improvements or updating the infotainment systems in order to make them less “laggy”. Secondly, characteristics of a buyer should also be more investigated. If the younger audience is more open for Chinese products, it means that Chinese companies should also consider creating products that are going to be more attractive for young consumers. For example, it can be done by collaborating with social media influencers that have a target audience of 18 to 30 years old group of people. Third suggestion is that German, Japanese and South-Korean car brands have a stronger brand image on the Russian market. Chinese companies can hire designers, engineers and software developers from these countries to get rid of the negative image of low-quality cars. Also, some crucial parts of their cars can also be sourced from, for instance, Germany or Japan. Finally, the fourth suggestion, Chinese manufacturers could test the safety of their vehicles using more popular in Europe safety rating systems. For example, they can work with Euro NCAP to get rid of image of unsafe cars.

10 Conclusion and Research Answers

With the help of the empirical part, it was possible to identify the answer to the questions of the study. The main questions are:

- Is there a correlation between brand image and the market share of Chinese car brands in Russia?

The sub-questions are:

- How does Russian customer perceive Chinese cars?
- Do Chinese automotive brands suffer from the negative country-of-origin effect from Russian customer?

To answer the main question, it is needed to find out the answers to the sub-questions. Often, people, even without any experiences, believe that Chinese cars are not provided with proper safety systems,; they think that “would fall apart” or perceive them as terrible quality cars. However, the owners of these cars mostly think that they had a good bargain for the good money that they have paid. So, the only way to answer the question is to say that the general perception of Russian consumer towards PRC cars is negative; however, those who own one are satisfied.

The country-of-origin effect is one of the leading causes of why people feel sceptic towards these Asian cars. As it was mentioned before, COO plays a significant role in the Russian consumer’s mind when choosing a product. It is attached to the beliefs of some group of people that Chinese product is necessarily a bad product. To sum up, it is worth to say that Chinese brands do suffer a lot from this effect.

Finally, the main research question can be answered. So, is there a correlation between the brand image and the market share of Chinese car brands? Yes, there is, a weak brand image is a part of the reason why PRC companies are facing severe difficulties in the Russian market. As it was revealed earlier, the Russian consumer is generally negative and biased towards Chinese automakers. The relatively new players on the market such as Haval, Geely do not have a well-established brand image yet. The other ones like Chery or Great Wall, are still dragging a burden of low quality, fast-rusting and unsafe cars, which is a past-truth world of Chinese cars in Russia. This is why people would instead choose a more popular brand that they know and have experience with. From analysing the literature and survey responses, it can be safely said that it is a really a tough job in changing the perception about the brand or even the whole country’s industry. It took tenths of years for Toyota and Honda to get rid of the reputation of tin cans’ producers. KIA and Hyundai were

also entering the new markets and establishing their brand images “with blood and sweat”. Nevertheless, today these are one of the global leaders and drivers of the whole industry.

As it was found out during the investigation of the topic, the young consumers are the ones who are more open to the new brands. With the flow of the younger generation people, there is a good prospect of changing attitudes towards Chinese automotive brands. Young and open to exploring new products people will undoubtedly be the game changers for the Chinese companies. Unquestionably, such an outcome is possible only if these companies are going to continue improving their product performance.

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