Abstract:

Russia is an important market for multinational brands as well as for rapidly expanding Russian companies who are currently investing a lot, but there is a lack of systematic and regular academic research on the Russian consumers’ transformation. Due to transition and the rapid changes imposed in / by a highly turbulent economic environment, understanding who are the major consumers and how their behaviour evolves is central to the success of marketing strategies in Russia. Using the acculturation theory from Berry (1997) in a context of “in-bound” acculturation through exposure to international products and services, ideas, people, and information, we propose 4 types of consumer acculturation strategies available to the Russian youth consumer to express identity through consumption practices. Overall, the Russian market appears to be highly segmented and to converge only partially with the West (partial convergence rather than total convergence option). On the basis of this conceptual framework, academic and managerial implications are identified as well as future research areas.
Introduction

Russia represents an attractive market for various sectors, such as energy, utilities and mining, metallurgy, retailing and consumer goods, communication and IT, and the automotive sector (PriceWaterhouseCoopers, 2010). With a population of 141,9 million, of which 62.9% are of working age, Russia is well-known for well-educated workforce at relatively low-cost. Russia is the largest country in the world extending over much of the northern part of Eurasia with a large diversity of topography and climates. In spite of high ethnic diversity, there is one official language, Russian, and the dominant religion is Russian Orthodoxy. After about 7% annual growth rate of the GDP between 1999 and 2007, the global economic crisis severely hit Russia in the second half of 2008. By the end of 2009, the credit rating agencies Standard & Poor, Fitch and Moody’s revised their sovereign rating outlooks for Russia from “negative” to “stable”.

Since 1991-92, Russian marketplace has in fact been experiencing an extreme volatility in both society and business environment (Shama, 1992), some typical of transition economies (Cavusgil et al., 2002), some unique to the country characterised by its own contradictions (Thelen and Coulson, 2002). Russian consumers have experienced many transformations such as product shortages and greater product choice, hyperinflation, social stratification, multiple debt crisis, currency reevaluation, two wars in Chechnya, and various other forms of social, economic and political instability. Within this context, understanding the dynamics of cultural change as they relate to the motivating factors that influence consumer decision-making in the Russian marketplace is especially central to the success of marketing strategies.

The general theme of the paper relates more generally to the understanding of the evolution of consumer culture in transition economies (Russia). It aims to contribute to a theory-based and dynamic understanding of consumer culture change in transition markets. The paper is organized as follows. We first review existing studies describing the social and economic transformation of Russian consumer behaviour since the fall of communism. Considering the need to develop a better
understanding of culture and its manifestation in consumer behaviour change, we apply the theory of acculturation to suggest a theory-based understanding of those changes over the years. Finally, academic and managerial implications are identified as well as future research areas.

1. Economic transition and its marketing implications in Russia

Economic transition from centrally planned to market economies is a continuum rather than a dichotomy (Hibbert, 1998) and it varies from one country to another, especially in the former Soviet bloc. Since the collapse of communism, much research attention has been directed at the macroeconomic and political reforms (such as trade and foreign investment policy or fiscal regulation) whereas microeconomic issues, such as marketing and particularly the mix-marketing offering proposed to bring superior value to the consumers, have commanded relatively less (Money and Colton, 2000).

In Russia, when markets were opened at the turn of 1991-92, key macro-level changes included: a) from the point of view of demand: the confrontation with imported goods and with a whole new commercial imagery, the passage from scarcity and poor quality to a wider choice (foreign and local) and improved general quality, but also to higher prices, b) from the point of view of offer: the change between no incentives and no competition (full employment and subsidies) to a competitive landscape, and the modernization of the retailing system allowing an improved supply chain.

Nevertheless, research examining Russian consumer behaviour is limited in scale and scope, and major contributions studied: the response of the ‘new consumer’ to promotion (Money and Colton, 2000), the shopping values of Russian customers (Griffin et al, 2000), consumer ethnocentrism and building foreign brands personalities in Russia (Supphellen and Gronhaug, 2003), consumer ethnocentrism and the attitude towards foreign products (Saffu and Walker, 2005), country-of-origin stereotypes towards imported and domestic products (Strutton et al., 1995; Thelen et al., 2006), the Russian national character and motivation factors that influence consumer behaviour (Thelen and
Coulson, 2002), the changes in food provision in Russian household experiencing perestroika (Ekström et al., 2003), the segmentation by generational cohorts (Schewe and Meredith, 2006) and the meanings of branded products (Strizhakova et al., 2008). Still research is both scarce and undeveloped (Thelen et al., 2006).

In particular, the cultural dynamics of change for consumer research, typical of transition economies (Cavusgil et al., 2002), have not received sufficient attention in the Russian context. The exposure to global flows (e.g. Appadurai, 1990) is transforming traditionally static territorially based societies into interconnected cultural entities (namely flows of images and communication, flows of people, flows of ideologies, flows of technologies and know-hows and flows of capital and money). The youth urban global culture and segment is particularly representative of such cultural change and is the major driver of growth of global brands in emerging economies. Understanding how consumer behaviour is impacted by such cultural interpenetration / contact dynamics in a rapidly changing environment is important to take into account the dynamic character of culture and to understand the way the composition of culture (in language and communication systems, in material culture and artefacts and in values and belief systems) is being transformed by global forces (Craig and Douglas, 2006).

Russia, as the largest country in the world, cannot obviously be understood as a homogeneous culture and market. Precise segmentation is often the key of success in emerging markets. On the large scale, it has been proposed that there are three coexisting general subcultures in Russia today differing in their acceptance of foreign goods, level of commercialism and view of Russia’s place in the world (Mikheyev, 1996), namely the ‘Technocratic Russia’ (Moscow and St Petersburg), the ‘Industrial Sub-culture’ (left by the Soviet legacy in about two-dozen large cities), and the ‘Traditional Russia’ which exist in the rural / agricultural areas of Russia. Besides, an historical recall of the transition process also helps understanding the different periods of consumers’ marketplace experiences with imported versus domestic product. Thelen et al. (2006) suggest a series of gradual change: a) the consumer in Soviet society (desire for superior imported goods, black market practices), b) the collapse of the Soviet system in 1991 (unregulation of the market, imported products offered in street markets often
unsafe or poisonous, substandard counterfeit versions of global brands, imports were sought but earned a reputation this time as being unreliable or dangerous), c) the Post-Soviet Russian consumer (Russian products are perceived lower on quality and reliability, but higher in artisanship and less expensive, revival of Russian food products for their perceived freshness and appeal to Russian tastes), d) the 1998 financial crisis (increase of prices of high-end imported products and shift to less desirable imports or domestic substitute), e) the Russian market until the 2008 global economic crisis (growing demand of the middle-class, increase in the purchase of select high-end imported goods but enduring preference some domestic products – e.g. resurgence of pride in domestic food product perceived to be more natural “without preservatives”). Overall, “it is expected that Russians will exhibit a preference for imported durable goods and for domestic consumable goods” (Thelen et al., 2006, p. 694). This has been reinforced since the 2008 global economic crisis: “As Russian income decreased during the economic downturn, they were forced to choose products with lower unit prices. This meant they had to buy local products, and in doing so, they discovered that their quality was satisfactory” (Euromonitor International, 2010, p. 2).

Currently, advertising companies’ segmentation approach is evolving from the use of traditional demographics and income characteristic, to the psychographic analysis of consumer behaviour lifestyle. Ostapenko (2009) distinguishes among 7 segments of Russian consumers based on their consumer attitudes: a) the Innovators (18% of Muscovite families, under the age of 30, b) the Impulsive shoppers (12% nationwide, 8% in Moscow); c) the Motivators (11% in Russia, 15% in Moscow); d) the Discriminating customers (12% in Russia, 8% in Moscow); e) the Indifferent consumers (25% countrywide and 21% in Moscow), f) the Traditionalists (16% in Russia, 20% in Moscow) and g) the Kholkhozniki, former members of collective farms (a tiny group, 11% Russia, 1% Moscow).

2. Capturing sociocultural change in transition economies: the value of acculturation theory
In spite of their interest in describing Russian consumer goods market segmentation, the above approaches are mostly descriptive and lack theoretical basis of explanation. Given the transition state of Russia, we rely on culture change / acculturation theory to propose an understanding of ‘inbound” exposure to foreign cultures that takes place by means of commercial globalisation in the country. Once largely a consequence of wars and colonization, culture change today results from international trade and finance, global media and technological flows, immigration, and business and tourism (Appadurai, 1990). Therefore, exposure to the foreign cultures does not require to travel in space but can be easily obtained at home. We propose that consumer behaviour of the Russian youth generation, 20 years after the fall of communism, exhibits a complex combination of various acculturation coping strategies, namely marginalization, separation, assimilation, integration. These create four contrasted segments of Russian consumers defined by their identity strategy to cope with change occurring in the Russian society.

Acculturation has classically been defined as "those phenomena which result when groups of individuals having different cultures come into continuous first hand contact, with subsequent changes in the original culture patterns of either or both groups” (Redfield et al., 1936, p.149). Acculturation is therefore “the general process and outcomes (both cultural and psychological) of intercultural contact” (Berry, 1997, p. 7). As a research concept, it was originally developed to study immigrants’ minorities abroad, but by its very own nature – capturing intercultural contact - it can be usefully applied to study, in a dynamic way, transition economies’ consumers like the Russians who are exposed to a widening marketing offering and must adapt to profound and rapid economic environment changes.

The outcome of the contact may include not only changes to existing phenomena, but also some novel phenomena that are generated by the process of cultural interaction (Sam and Oppedal, 2002). Acculturation changes can happen at the individual and group levels and refer to changes in languages, identity, values, behaviours, attitudes, habits, social institutions and the like. Acculturation changes are normally geared towards adaptation, i.e., to ascertain that the individual or the group is able to meet the challenges arising from living in the midst of two (or more) different cultures.
Reviewing on the research issue of acculturation in social sciences disciplines (sociology, anthropology, linguistics, psychology and others), Rudmin (2003) notes the profusion of acculturation constructs on the basis of the use of the fourfold framework promoted by Berry (1997) to organize the acculturation constructs into four generic types, depending on the relative importance of the first-culture (F) and the contact culture (C). These four ideal types have been symbolized as: 1) -F+C, 2) +F-C, 3) +F+C, and 4) -F-C. This means: 1) that the contact culture is favoured, 2) that the first-culture is favoured, 3) that both cultures are favoured, and 4) that both cultures are disfavoured.

Consumer acculturation is a subset of the general process of acculturation. While acculturation is more general, consumer acculturation is specific to the buying and consumption processes. Possessions play a powerful role in the construction and preservation of identity (Belk, 1988, McCracken, 1986). Consumer acculturation takes place both when buying and consuming goods and services, and involves learning the meanings attached to them; therefore, it is an “eclectic process of learning and selectively displaying culturally defined consumption skills, knowledge, and behaviours” (Penaloza, 1989, p. 110).

The modern perspective of consumer acculturation contradicts the initial idea of a linear process (Berry, 1997), and insists on immigrants’ ethnic identity negotiation through consumption practices. Such a negotiation process is observed with bidirectional models of acculturation that allow individuals to identify with more than one culture, as well as the possibility to alternate between two cultures or more, depending on the social context (Cleveland and Laroche, 2007). According to Penaloza (1994) there are times when immigrants’ consumption patterns might suggest assimilation, yet at other times, the way products are used suggests ties with the original culture. Oswald (1999) introduced the concept of “culture swapping” meaning that rather than conforming to one ethnic category, Haitian immigrants in America constantly negotiate cultural identities and choose when and where to wear their ethnicity: they switch unconsciously between the codes of Haitian elite and American middle class according to the situation. Askegaard *et al.* (2005) in their study found similar results about the hybrid ethnic identity of Greenlanders migrants in Denmark when they consume and
use products, and they suggest the idea of a “hyper-culture”: Greenlander migrants depend on the Greenland commodified products in Denmark as ethnic identity resources. Other studies were conducted on Algerian origin consumers’ retailing habits in France showing how retail choices distribute ethnic identities (Ozcaglar and Hadj Hmida, 2009), on Turkish immigrant women from a village to the suburbs of Ankara in Turkey (Sandikçi et al., 2006) who negotiate their cultural identity through consumption practices related to their body and physical appearance. In Canada, Cleveland and Chang (2009) suggested that different generations of immigrants from Korea cope with contradicting values like ethnic identity, religiosity and materialism. Finally, some studies focus on acculturation to global consumer culture (Cleveland and Laroche, 2007) which is driven by six typical characteristics: cosmopolitanism, Exposure to marketing activities of MNC’s, Exposure to/use of English language, Social interactions with foreigner (including travel, migration and other contacts), global/foreign mass media exposure, and Openness to and desire to emulate global consumer culture.

Penaloza (1989) summarizes a comprehensive set of factors that impact consumer’s acculturation process in the host country. She found that in addition to age, education, income, occupation, marital status, gender, ethnicity, social class, and family life cycle, there are additional other factors influencing immigrants’ learning process of goods and services in the host country such as: (1) Cultural consumption values: many cultural values impact consumer’s acculturation process like individual versus group oriented values, active versus passive values, and present versus future time oriented values; (2) Language: it is the most important influence on the process of consumer acculturation because it impacts on the consumer’s ability to communicate and learn consumption practices and behaviours and values attached to certain products and services; (3) Intensity of affiliation: this depends on the consumer’s preference for one culture over another, this ranges from the culture of home country to the culture of the host country or a third hybrid culture; (4) Environmental factors: the context, and the immediate environment affect the immigrant’s ability and willingness to learn and display cultural consumption attitudes and behaviours, immigrants are more likely to exhibit previous consumption behaviour if they are accepted in the new country; (5) Generation: it was found that first generation immigrants exhibit lower levels of assimilation to the
host culture than second or third generations, partially because the later develop beliefs and cognitive structures related to the host culture; and (6) Consumer acculturation agents: sources of consumer information like family, peers, and mass media.

3. **Russian youth and in-bound acculturation: negotiating multiple identities through consumption**

When segmenting the Russian youth consumer behaviour, the application of the acculturation theory suggests the various following identity coping strategies developed through consumption practices (cf. Table 1). The table is based on the dynamics of change regarding the past-future link and their implications for Russian youth when facing social transformation and consumption opportunities. Three criteria are emphasized in the table to describe the various acculturation strategies (marginalization, segregation, assimilation, integration): a) the relationship to social transformation (exclusion, resistance, acceptance, adaptation); b) the identity strategy (anomie, divergence, convergence, hybridization) and c) the general and dominant form of consumption (anti-consumption, traditional consumption, hyper-modern consumption, ecology of life consumption) (cf. Table 1). Therefore, this conceptual framework tries to connect the adjustment to social transformation with the identity strategy chosen and the related dominant consumption.

**Table 1 – Russian youth acculturation strategies**

<table>
<thead>
<tr>
<th>Value of maintaining the link with the Russian tradition (the past, the old, the Soviet, the pre-modern)</th>
<th>Weak</th>
<th>Strong</th>
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<tr>
<td><strong>Weak</strong></td>
<td><strong>MARGINALIZATION</strong></td>
<td><strong>SEGREGATION</strong></td>
</tr>
<tr>
<td>Value of maintaining the</td>
<td>Excluded from social transformation</td>
<td>Resist social transformation</td>
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<tr>
<td><em>Relationship to social transformation</em></td>
<td>Anomie</td>
<td>Divergence (Nostalgia)</td>
</tr>
<tr>
<td><em>Identity strategy</em></td>
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Marginalization. Recent surveys conducted by sociological research centers in Russia (e.g. the Levada Center) or in Switzerland (the Swiss Academy for Development, Daflon, 2009) suggest that the youth in today’s Russia (especially from lower socio-economic category) suffer from feelings of uncertainty and confusion as well as loss of orientation (anomie). Feelings of disillusion and distrust towards the outside world (state institutions and society at large), difficulties to distinguish between right and wrong, uncertainty about the future and lack of guiding norms and values, belief that success is defined only by means of money are widespread among young Russians. Coping strategies can be non-violent – trying to stay alone and cool down; watching TV, speaking to friends, relatives or parents) or can be violent and self-destructive and correlated with manifestations of radicalism (getting drunk, venting one’s anger on people around, joining radical political or religious extremists). They don’t follow the social trends (they are / get excluded from social transformation) and will most likely follow the way of life suggested by certain opinion leaders. Individuals in this category are, relative to liberal standards, representative of an ‘anti-consumption’ behaviour.

Segregation. The “nostalgic Russian consumer” claims for historical (soviet and Russian) ethnic identity value. Nostalgia is a sociological phenomenon that helps individuals maintain their identities in face of major life transitions or after tumultuous changes in the environment. Holak et al. (2007)
have identified five domains of nostalgic experiences in Russia, namely: the transition to a market economy that produced a sense of loss (of a dwelling or a job), the loss of security (protection against economic downturns or social problems), the breakup of the Soviet Union (sense of loss for the geographic and cultural diversity of the former state), former Soviet political holidays (their disappearance), and nature and food (sense of loss of natural food). The marketing use of nostalgia for the USSR and historical Russia is remarkable in recent years since long-forgotten historical brands (and even “communist-style” names) are making a successful return to the daily life of the cities. Therefore, modern Russia, after a decade of relative westernization of business practices has produced acute consumer nostalgia for authentically perceived Russian brand names and a return to original brand associations (Ostapenko, 2009). This consumption trend leads to traditionalist consumption and purism. For example, in the beauty and personal care sector in Russia (Triers, 2009), there are some products which are based on the preference for local culture and for lower prices, namely nostalgia. Among others, interesting examples include the Russian brand “100 recipes of beauty” (Kalina) claiming to work with just traditional grandmother’s recipes, and to enhance health and physical beauty. The spokesperson of the brand, Gennady Malachov, is a famous shaman in the world of Russian natural medicine.

Assimilation. The “new Russian consumer” (Ger and Belk, 1996; Money and Colton, 2000) establishes a modern western materialistic identity, based of global consumerism appeals in contrast with consumer ethnocentrism and resistance to foreign products. Since 1991-92, consumers have been exposed to marketing and are seeking for variety. During the 1990s’, most of the ‘new consumers” in Russia belonged to the Post-Soviet cohort coming of age in 1992 that suffered from the lack of parental supervision (Schewe and Meredith, 2006): “Their parents were too preoccupied with what was going on around them to pay much attention to their children, and teachers did not know how to teach history and social science during a time when the official dogmas suddenly lost their meaning. Many have called this cohort ‘an abandoned generation” (p. 59). Key cohort values include self-sufficiency, cynism, being streetwise, materialism, amoralism and a strong interest in living outside of Russia. It is largely a hypermodern consumption style, the notion of hypermodernity describing the
recent disruption of contemporary industrialized societies. As modernity rid itself of its traditional
oppositions (the state, the church, the family) it became a superlative force (Lipovetsky, 2004). In the
hypermodern society, everything is ‘hyper’: hyper-consumption, hyper-power, hyper-individualism,
hyper-capitalism, and hyper-anxiety. In other words, everything is excessive or too much. It is an
exacerbated modernity where individuals function more on the logic of excess than on one of harmony.
Today’s “new consumers” driving international brands growth involve the Innovators segment (18% of
Muscovite families, under the age of 30) involved in business or in top intellectual occupations,
who want customization and are often ahead average western consumer in purchasing objects of arts,
custom-made jewelry, luxury homes, exotic cars, elaborate personal services, etc. In the beauty and
personal care sector in Russia (Triers, 2009), most products fall under the category of assimilated
consumers who strongly prefer the Western production and culture to the domestic one. The offering
is premium cosmetics and mass media brands like L’Oréal (the claims, the ingredients and the
packaging are standardized as much as possible around the world) and the target is the young urban
consumers highly exposed to the media and earning an above average income (that is USD 550 in
Moscow in 2007).

Integration. This last category of acculturation strategy describes Russian consumers who will
combine positively traditional Russian and modern foreign consumption practices depending on
product categories and more generally on the marketing offering attributes (mix marketing elements
and their respective attributes providing consumer satisfaction). They would appreciate natural
products in food or cosmetics, but also modern retail outlets to procure those goods. The taste for
traditional products observed in industrialized societies (e.g. Prime and Itonaga, 2009) is close to this
category of consumers who make the best of both worlds, connecting tradition and modernity. As a
result, this identity coping strategy is called integration and translates a posture of adaptation of social
transformation in the direction of hybridization. Ecology of life consumption (products of harmony
between nature and technology) would characterise this segment. In the beauty and personal care
sector in Russia (Triers, 2009), the integration acculturation category with hybrid Russian consumers

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can be observed in the positioning of local brands that follow global trends (such as the botanic positioning of the “Chistaya Linia” brand claiming to provide The cosmetics of Russian herbs”), or by global brands like Garnier, which combine Western and Eastern mentality simultaneously in their Russian marketing mix attributes (localisation of the offering in adjusting the format, packaging and spokesperson). So the consumer will choose a brand regardless of its origin, but more as a function of the capacity of the brand to combine the best of both worlds on mega trends existing worldwide (e.g. demand for natural products).

4. Implications and future research areas

The use of the acculturation theoretical framework allows to draw some implications at the academic and managerial levels. From the academic point of view, the acculturation theory which was originally applied to migrants’ consumers seems to be a useful tool to understand the variety of local consumers as a function of how they cope with the change induced by transition (“in-bound acculturation”). This framework suggests that Russian consumers develop different identity coping strategies in their dominant forms of consumption. Future research should first focus on improved conceptualization. For instance, there are some commonalities between the traits of the global youth segment identified by Cleveland and Laroche (2007) and the assimilated consumers with a foreign purchase bias. In the same vein, there are some commonalities between the traits of the ethnocentric consumer (Vida et al., 2008) and the segregated consumer with a domestic purchase bias. Qualitative research with various types of consumers should be undertaken to clarify these different facets of acculturation. Then, operationalization and measurement efforts should be undertaken.

Form the managerial point of view, the acculturation framework provides important arguments to be considered when Western MNCs in Russia must decide of the adaptation and standardization of their marketing strategies. In addition to classical choice criteria in favour of one or the other option (Shuh, 2007), the acculturation strategy chosen by consumers for the product category could be taken into account in the positioning and mix-marketing to mirror the acculturation strategy of the consumers for
a given product category: local positioning for segregated consumers (MNCs would here buy local brands to occupy this segment rapidly), international positioning for assimilated consumers (global brands) and international adapted positioning for integrated consumers (global brands with a local touch, local brands with global touch).

Overall, the Russian market appears to be highly segmented and to converge only partially with the West. The consumer acculturation theory suggests that the full convergence of the Russian market with the West is rather unlikely, and as a consequence that companies will have to manage more and more complex layers and categories of cultural change and consumption styles.

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