

## THE IMPORTANCE OF COUNTRY OF ORIGIN ON PURCHASING DURABLE CONSUMER GOODS: IN CASE OF KYRGYZSTAN

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### ABSTRACT

*Main purpose of this study is to discuss the importance of country of origin as a determining factor of consumer attitudes and behaviors against imported durable goods in Kyrgyzstan. Also, to put forward perceived images of exporter countries in terms of quality, price and to develop recommendations. In this context the main research questions are consumers' demographic features, the importance of country of origin, ranging durable goods exporter countries, comparing Turkey in terms of quality and price with other countries. According to results of the study, country of origin has a significant effect on purchasing. In terms of quality and price Europe, Japan and USA are on the top, Korea, Thailand and China are on the bottom. Between eight countries Turkish origin products are ranked in the middle. It is thought that the finding of it may be beneficial for exporting countries and their enterprises.*

**JEL:** M11, L68, M39

**Key words:** Country of origin, Durable consumer goods, Kyrgyzstan.

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## 1. INTRODUCTION

Kyrgyzstan, an independent nation since 1991, is located in the northeast of Central Asia and has a population of 5 million. The economy of the country mainly depends on agriculture. After the Soviet Union's collapse and during the transition to the market economy the country's manufacturing sector was completely damaged.

Today, the economy of Kyrgyzstan has adopted a path of development based on the sectors of agriculture and services, leaving the area of industrial production, and especially the production of durable goods, rather undeveloped. Durable consumer goods like TVs, refrigerators, and washing machines are imported to Kyrgyzstan from countries such as Turkey, China, Russia, Japan, The United States, Korea, Thailand, as well as from countries throughout Europe.

The following study on the consumption of durable goods determines that the product's country of origin in Kyrgyz market is one of the basic factors that verify consumer behaviors.

## 2. PREVIOUS STUDIES

A country's image has a direct effect on consumer attitudes and behavior. In other words, consumers' purchasing decisions mainly depend on from where the goods were produced or exported. In the literature, this kind of effect is expressed as a 'country of origin effect' (Kwok et al. 2005:46). The product's country of origin has a positive or negative impact that defines the image of the country (Ghazali, 2008:91). In other words, the country of origin is equally evaluated with the image of the country (Morrish, 2008:1-2). According to another definition, customers are attached to a particular country's products, reputation, identification, description and attitude patterns. (Genghis, 2009:156). From the relevant literature on consumer behavior the country of origin in general has proven to be a crucial factor (Goudge et al., 1999, Kwok et al., 2005, Maheswaran et al., 2006, Ghazali et al., 2008).

Goudge and Ivanov's(1999) research conducted on the preferences of Macedonian consumers in regards to the products' country of origin attempted to measure the impact of this factor. According to the results of the study the attitudes and behaviors of consumers for developing and developed countries were different, although the goods coming from a developing country with a strong image may still succeed. (Goudge and Ivanov, 1999:1-9).

Naturally, the country of origin is not the only factor influencing the buying behavior of consumers. A second study (Kwok et al., )(2005) was conducted in China on the impact of products' country of origin on consumer behavior. The aim of the study was to determine the effect of the country of origin of food products for local and foreign brands in China. According to the results of the study, Chinese consumers prefer foreign brands to domestic brands.

Another study was conducted by Maheswaran (2006) in Southeast Asia on the Japanese market in order to determine the importance of country of origin in the consumption of goods. One more study was conducted by Ghazali and others (2008) to examine the perceptions of Malaysian consumers in regards to a product's country of origin. The result of the research showed Malaysian consumers give priority to properties such as the quality and the price of goods more than the country of origin of the product.

In 2009 a Turkish study was conducted by Gengiz which analyzed the consumer's buying preferences in order to determine the importance of the factors affecting the choice between domestic and foreign products. The study proved the importance of a product's country of origin in relation to consumer preferences. As can be seen, the product's country of origin has a significant impact on consumer behavior.

Although the number of studies is limited on the subject, the first research on this issue in Kyrgyzstan was carried out by Balyemez et al., (2005). In the mentioned study, Turkish, American and European products were examined to understand the expression "country of origin effect" in Kyrgyzstan in terms of how it is perceived and tried to expose the effects of purchasing. According to the research, Kyrgyz consumers prefer American and European goods to Turkish goods. The Kyrgyz consumer's confidence in Turkish goods has only recently started to develop (Balyemez et al. 2005). Another study on this subject by Oktay (2006), although not directly related to the topic, aims to explore the factors affecting Kyrgyz consumers' preferences in clothing.

According to the survey, consumers greatly prefer imported products, but as the quality of domestic product is improved, consumer's preferences may change.

### 3. OBJECTIVES OF THE RESEARCH

The purpose of this study is to determine the effect of the product's country of origin on consumers' attitudes and behaviors in relation to durable goods imported from different countries into Kyrgyzstan, and to examine the perceived quality and price in terms of countries and the proposals put forward to improve their image. Sub-objectives of the research in this direction are as follows:

1. To show the demographics of consumers in the durable consumer goods market.
2. To emphasize the importance of the country of origin factor in the purchasing of durable consumer goods.
3. To make a list of countries exporting goods to Kyrgyzstan according to their perceived image in terms of quality and price.
4. To analyze durable consumer goods in terms of quality and price and to compare the image of Turkish products with other countries.

### 4. RESEARCH METHODS

Primary data in the study utilized was collected by the face to face questionnaire method. Implementation took place in Kyrgyzstan's capital of Bishkek. According to the official census of 2009, Bishkek is known to have a population of around 835,000 (KMİK, www.stat.kg, 02/10/2011). The sample size according to 95% confidence level and 0.05 confidence interval is determined as 384 people (<http://surveysystem.com/sscalc.htm>, 05/11/2010). Besides descriptive statistics, such as the data obtained from the t-test with the help of statistical techniques, the data have been analyzed by SPSS program, information graphics, charts, and interpreted through the introduced.

### 5. RESEARCH RESULTS AND COMMENTS

In this section, the survey results and analysis of the data are presented and interpreted in tables.

**Table 1: Demographic Characteristics of Participants**

<b>Distribution by Gender</b>	<b>Frequency</b>	<b>Percent</b>
Men	186	48.4
Women	198	51.6
Total	384	100.0
<b>Distribution by Age</b>	<b>Frequency</b>	<b>Percent</b>
20-24	90	23.4
25-29	61	15.9
30-34	86	22.4
35-39	66	17.2
40 and over	81	21.1
Total	384	100.0
<b>Distribution by Marital Status</b>	<b>Frequency</b>	<b>Percent</b>
Single	182	47.4
Married	202	52.6
Total	384	100.0

As shown in the table above the gender distribution of participants is 52% female, with the remaining 48% composed of men. Age distribution of respondents: 20 to 24 age group, 23%; 25-29 age group, 16%; 30-34 age group, 22%; 35-39 age group, 17%; and 21% of the group corresponds to the age of 40 years and over.

Looking at the distribution according to marital status among the study participants, 53% were married, 47% were single.

**Table2: Demographic Characteristics of Participants**

<b>Distribution of Educational Status</b>	<b>Frequency</b>	<b>Percentage</b>
High school	50	13.0
Associate Degree	74	19.3
Undergraduate	100	26.0
Graduate	160	41.7
Total	384	100.0
<b>Distribution of Income Status</b>	<b>Frequency</b>	<b>Percentage</b>
Less than 15 000 <sup>3</sup>	227	59.1
More than 15 000	157	40.9
Total	384	100.0
<b>Distribution of Social Status</b>	<b>Frequency</b>	<b>Percentage</b>
Officer	85	22.1
Workers	95	24.7
Artisan	57	14.8
Student	80	20.8
Retired	16	4.2
Unemployed	23	6.0
Others	28	7.3
Total	384	100.0

The participants' level of education consisted of 42% with a graduate degree, 45% with an undergraduate or associate degree, and 13% with a high school level education. In relation to income distribution, 59% of participants had a monthly family income less than 15,000 som. This figure corresponds to approximately \$320. Looking at the working status of the participants, it is composed of 22% of civil servants, 25% of workers, 15% of the trades, 21% of are students and the remaining 17% unemployed, retired, and others.

<sup>3</sup> 1 USA \$ = 47,48 Som, KR National Bank, <http://www.nbkr.kg>, 16.03.2011.

**Table 3: Descriptive Statistics on the Importance of Country of Origin in the Preference of Durable Goods and the Differences Related to the T-3 test results**

No	Questions	N	Min <sup>4</sup>	Max <sup>5</sup>	Mean	Std. Dev.	Sig.
1	In purchasing durable goods the brand of the product is important to me	384	1.00	5.00	2.166	1.2019	.000
2	While buying durable goods I pay attention to the country of origin of the product	384	1.00	5.00	2.203	1.0720	.000
3	The country of origin gives an idea about the product quality	384	1.00	5.00	2.278	1.0260	.000
4	While buying durable goods the product price is more important than the country of origin	384	1.00	5.00	2.854	1.3766	.039
5	While buying durable goods the product's functions are more important than the country of origin	384	1.00	5.00	2.421	1.1759	.000
6	While buying durable goods the product's design is more important than the country of origin	384	1.00	5.00	2.997	1.3509	.970
7	While buying durable goods the product's warranty period is more important than the country of origin	384	1.00	5.00	2.494	1.1895	.000
8	While buying durable goods the product's user guide is more important than the country of origin	384	1.00	5.00	3.010	1.2536	.871
9	While buying durable goods the product's discounts are more important than the country of origin	384	1.00	5.00	3.268	1.3318	.000
10	While buying durable goods the product's payment terms are more important than the country of origin	384	1.00	5.00	3.393	1.3418	.000

There are various factors which affect the choice of participants when buying durable goods: The product's brand (mean 2.1, standard deviation 1.201, Sig. 0,000) and the country of origin (mean 2.2, standard deviation 1.072, Sig. 0,000) are two of the most crucial properties. Customers believe that the product's country of origin defines the quality of the goods. On the other side, the changing price has proven to be a more crucial factor than the product's country of origin. As the income level of the country is low this indicator is obvious. Similarly, the product functions (mean 2.4, standard deviation, 1,175, Sig. 0.000) and the warranty period (mean 2.4, standard deviation, 1,189, Sig. 0.000) are important priorities. There were not clear results on whether the design and the user's guide book of the product play significant role in purchasing durable goods. The product's country of origin, in the face of factors however, appears to be a more important factor than sales discounts (average 3.2, standard deviation, 1,331, Sig. 0.000), and payment terms (mean 3.4, standard deviation, 1,341, Sig. 0.000)

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<sup>4</sup> 1- Absolutely agree

<sup>5</sup> 5-Absolutely disagree

**Table 4: Perceived Quality Levels in Kyrgyzstan for Durable Product Exporting Countries**

№	Countries	Quality (Total 384 %)			Total
		High	Medium	Low	
1	Europe	69	27	4	100
2	Japan	67	30	3	100
3	US	60	38	2	100
4	Russia	46	51	3	100
5	Turkey	45	53	2	100
6	Korea	40	53	7	100
7	Thailand	15	62	23	100
8	China	5	27	68	100

According to the table, countries exporting durable goods rank in terms of perceived quality as follows: European (69% of participants states these products as high-quality), Japan (67%), the United States (60%), Russia (% 46). Turkey is fifth among the exporting countries (45%) and China ( 5%) .

**Table 5: The Durable Product Exporting Countries by Levels of Perceived Price in Kyrgyzstan**

№	Countires	Price (Total 384 % )			Total
		High	Medium	Low	
1	Europe	75	24	1	100
2	US	74	24	2	100
3	Japan	59	38	3	100
4	Turkey	57	41	2	100
5	Korea	31	62	7	100
6	Russia	21	74	5	100
7	Thailand	10	63	27	100
8	China	3	23	74	100

In terms of prices the following countries were compared and Europe (75%), United States (74%), Japan (59%). Turkey in this sequence is after Japan (57%) and is in the 4<sup>th</sup> place. In terms of quality Turkish products is low in quality but high in price compared to products of Russian origin. Russia in this ranking (21%) and is in the 6<sup>th</sup> place. Meanwhile, China (3%) is the last.

**Table 6: Turkey and Other Countries in Terms of Differences in the Perceived Quality Testing**

Perceived Quality		Average	N	Std. Sap	Stan. Error	Sig.
Pair 1	Turkey	1.5729	384	.54067	.02759	.000
	China	2.6380	384	.56597	.02888	
Pair 2	Turkey	1.5729	384	.54067	.02759	.830
	Russia	1.5651	384	.55122	.02813	
Pair 3	Turkey	1.5729	384	.54067	.02759	.000
	Japan	1.3646	384	.54786	.02796	
Pair 4	Turkey	1.5729	384	.54067	.02759	.000
	Europe	1.3411	384	.54151	.02763	
Pair 5	Turkey	1.5729	384	.54067	.02759	.000
	US	1.4271	384	.54067	.02759	
Pair 6	Turkey	1.5729	384	.54067	.02759	.010
	Korea	1.6771	384	.60881	.03107	
Pair 7	Turkey	1.5729	384	.54067	.02759	.000
	Thailand	2.0859	384	.60925	.03109	

In order to compare durable goods of Turkish origin with the goods from other countries, the T-Test was used. As shown in the table above it includes the details of the Turkish and Russian origin products which have no significant difference in perceived quality (Sig. 0.830). All other comparisons are significantly different. With very little difference in quality, the durable goods from Turkey appear to be lower in quality than European, Japanese and the American products but at the same time Turkish goods' quality is higher than Korean, Thai and Chinese durable goods.

**Table 7: The testing between Turkey and Other Countries in Terms of Differences in Price**

Perceived Price		Average	N	Std. Stan	Stan. Error	Sig.
Pair 1	Turkey	1.4583	384	.54398	.02776	.000
	China	2.7109	384	.51837	.02645	
Pair 2	Turkey	1.4583	384	.54398	.02776	.000
	Russia	1.8411	384	.48827	.02492	
Pair 3	Turkey	1.4583	384	.54398	.02776	.486
	Japan	1.4297	384	.54101	.02761	
Pair 4	Turkey	1.4583	384	.54398	.02776	.000
	Europe	1.2630	384	.46393	.02368	
Pair 5	Turkey	1.4583	384	.54398	.02776	.000
	US	1.2839	384	.49557	.02529	
Pair 6	Turkey	1.4583	384	.54398	.02776	.000
	Korea	1.7526	384	.56323	.02874	
Pair 7	Turkey	1.4583	384	.54398	.02776	.000
	Thailand	2.1641	384	.58854	.03003	

On the other side, according to T-Testing results which was done to compare the prices between Turkish goods and non-Turkish ones there is no significant difference in prices between Turkish and Japanese durable goods (Sig. 0,486). All other comparisons are significantly different. Products of Turkish origin are slightly lower in price than European, Japanese and American products and higher than Korean, Thai and Chinese goods

## 6. CONCLUSION AND RECOMMENDATIONS

Analyzing and investigating the attitudes and behaviors of consumers of durable goods in Kyrgyzstan is not only an advantage for companies marketing such products here but is also effective for countries which produce them. As well as factors such as the price, quality, functionality, the producer country's image is also a significant factor in investigating consumer behaviors. In order to be successful in international trade the companies need to know the image of the product's country of origin, and if the image is negative they need to take necessary precautions. European, American and Japanese goods in Kyrgyzstan rank higher both in the quality of products and the price compared to other countries. Korean, Thai and Chinese products are comparatively low in price and quality of the product. According to the study, the Turkish durable goods are ranked to be in the middle among eight countries. In this context, the following suggestions for exporting countries and businesses can be made. First, the scope of this issue requires more extensive investigations. Products produced in China, Thailand and Korea have a perceived low level of quality in Kyrgyz market, so this factor should not be ignored. Naturally, with each passing day consumer market characteristics are changing, consumer income levels are growing, and tastes and preferences are not the same. Therefore, the activities to change the negative images should have already been started. Turkey is developing its relations with Central Asian Turkic Republics, and in particular is developing its economic and commercial relations with Kyrgyzstan. In the durable goods market of Kyrgyzstan, Turkish products play a significant role. However, the projects, applications and research in this field should be maintained and continued.



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