

Impact of Consumer Preferences on Kosovo's Foreign Trade

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Abstract

In marketing, consumer behavior is a crucial factor in the placement of products in the market and is often the subject of study and research by large companies to identify the needs of citizens and their behavior as consumers in the buying decision process. Consumer buying behavior refers to the buying behavior of final consumers—individuals and households that buy goods and services for personal consumption (Kotler et al., 1999). A company that truly understands how consumers will respond to different product features, pricing, and advertising appeals has a significant advantage over its competitors. The factors that influence consumer behavior are the key elements that companies analyze and aim to break down in order to "attract" customers. This paper will examine the factors of consumer behavior and their impact on increasing/ decreasing imports in trade with several countries with which Kosovo has international trade relations. The phenomenon of ethnocentrism will also be examined, a phenomenon that has emerged in every nation in recent years and is more pronounced in the Republic of Kosovo. Finally, an empirical analysis will be presented, highlighting the relationship between imports and import prices.

Keywords: Consumer Behavior Buying Decision Process, Product Placement, Consumer Response, Import-Export Trade, Ethnocentrism.

INTRODUCTION

Consumer Behavior Definition

Consumer behavior encompasses the mental, emotional, and physical activities involved in the selection, purchase, use, and disposal of products and services to meet needs and desires (Priest et al., 2013). According to Ramya and Ali (2016), consumer purchasing behavior refers to the choice, purchase, and consumption of goods and services to fulfill desires.

Influencing Factors and Analysis

Consumer behavior is influenced by various interacting factors that shape the final purchasing decision. Analyzing consumer behavior helps identify who the consumers are, their preferences, and their reactions to products. Marketing teams study consumer desires through various surveys to gather this information (Furajji et al., 2012, as cited in Hosaini & Rohje, 2020).

Key Influences on Consumer Choice

While price is a primary factor **influencing** consumer decisions, it is not the sole determinant. Other factors also significantly impact consumer preferences and choices.

Factors Influencing Consumer Behavior

According to Kotler et al. (1999), key factors influencing consumer behavior include:

Cultural factors

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Social factors

Personal factors

Psychological factors

Cultural Factors

Cultural factors exert the broadest and deepest influence on consumer behavior. Marketers must understand the role of culture, subculture, and social class in consumer decisions:

Culture: The primary determinant of a person's wants and behaviors, learned from family and other institutions.

Subculture: Groups within a culture sharing common life experiences and situations, such as nationalities, religions, and geographic regions.

Social Class: Relatively permanent and ordered divisions in society whose members share similar values and behaviors.

Social Factors

Social factors significantly impact consumer behavior and must be considered in marketing strategies:

Reference Groups: Direct and indirect groups that influence a person's attitudes and behaviors.

Family: Strongly influences buyer behavior through interactions and decision-making processes.

Roles and Status: Defined by a person's position in groups, reflecting societal esteem.

Personal Factors

Personal factors affecting purchasing decisions include:

Age and Life Cycle: Preferences change over a person's lifetime and family life cycle.

Occupation: Product and service choices vary based on professional requirements.

Economic Circumstances: Financial status influences product selection, quality, and quantity.

Lifestyle: Reflects a person's activities, interests, and opinions, shaping overall behavior.

Personality and Self-Concept: Unique psychological traits influencing consistent responses to the environment.

Psychological Factors

Four key psychological factors affecting purchasing choices are:

Motivation: Needs arousing sufficient intensity to drive behavior.

Perception: The process of organizing and interpreting information to form a meaningful world view.

Learning: Behavioral changes arising from experience, impacting future purchases.

Beliefs and Attitudes: Descriptive thoughts based on past experiences influencing purchase decisions.

Consumer Behavior in Relation to Foreign Trade

Ethnocentrism in marketing involves the belief that domestically produced products are superior. Ethnocentric consumers view foreign products as inappropriate, potentially harming the domestic economy, whereas non-ethnocentric consumers evaluate foreign products objectively. This paper analyzes key factors influencing consumer behavior in Kosovo and their impact on the import of goods and services from 2015 to 2021 (Schiffman & Kanuk, 2007 as cited in Shapiro Philip Domie, 2013).

Ethnocentrism and Import in Kosovo

Using data from the Kosovo Agency of Statistics, we analyze the import of goods and services from 2015 to 2024. Table 2 presents data on imports by some of the largest importers. Initially, Serbia was the largest importer, but in 2019 imports dropped drastically from €388.927 thousand to €5.784 thousand due to sanctions on Serbian products. Germany increased its market share in Kosovo, becoming the largest source of imports. In 2021, significant import figures include Turkey (€584.144 thousand), China (€449.330 thousand), Serbia (€304.635 thousand), Italy (€275.083 thousand), and Albania (€264.575 thousand).

The reduction in imports from Serbia is partly due to campaigns by informal groups advocating against Serbian products, driven by historical political tensions. The imposition of a 100% tax on products from Serbia and Bosnia and Herzegovina in 2019 led to a drastic reduction in imports from these countries until the tax was abolished on April 1, 2020.

Empirical Analysis

This section illustrates the impact of personal factors, particularly economic circumstances, on consumer behavior. The price of products and services is a significant influencer. An empirical analysis using linear regression in macroeconomic terms presents the impact of import changes on the import price in Kosovo from 2016 to 2024 (see Table 3). The Import Price Index (MPI) measures the transaction price performance of imported industrial products sold in the domestic market.

Summary Output								
<i>Regression Statistics</i>								
Multiple R	0.915941							
R Square	0.838947							
Adjusted R Square	0.798684							
Standard Error	2.203286							
Observations	6							
<i>ANOVA</i>								
	<i>Df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>			
Regression	1	101.1504	101.1504	20.83655	0.010302			
Residual	4	19.41789	4.854471					
Total	5	120.5683						
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	-0.47733	1.121899	-0.42547	0.692387	-3.59222	2.637558	-3.59222	2.637558
Import	0.283217	0.062045	4.564707	0.010302	0.110953	0.455481	0.110953	0.455481

Based on the results from Excel, the linear regression model is presented as follows:

$$y = \beta_0 + \beta_1x + \varepsilon$$

$$y = -0.477 + 0.283x + 2.20$$

$$\text{Import prices} = -0.477 + 0.283 * \text{Import} + 2.20$$

Interpretation

Significance of Independent Variable: The t-statistics indicate that if the t-statistics are greater than 0, the independent variable is significant. In this case, the independent variable "Import" has a significance level of 4.56, indicating it is statistically significant.

Correlation: The coefficient for the "Import" variable is 0.283, which signifies a positive correlation between imports and import prices. Specifically, for every 1 percent increase in imports, import prices are expected to increase by 0.283 percent, assuming all other factors remain constant.

Coefficient of Determination (R^2): The coefficient of determination is 0.8389, meaning that approximately 83.89% of the variation in import prices can be explained by the variation in imports included in the model. The remaining variation is attributed to other variables not included in the model.

CONCLUSIONS

The analysis highlights that consumer behavior is shaped by multiple factors that companies must consider for effective market segmentation and successful sales strategies.

The four primary groups of factors influencing consumer behavior—cultural, social, personal, and psychological—are crucial for determining product and service placement in the market, particularly in contexts characterized by ethnic, cultural, religious, or social differences.

In Kosovo, ethnocentrism among some consumers impacts trade balances and import patterns. However, political factors and consumer boycotts exert a more substantial influence. Political tensions and sanctions between countries can have significant repercussions on their economies. The economic and social well-being of a country is heavily reliant on its international relations and geopolitical stability.

Empirical analysis shows that increased imports and insufficient domestic production lead to higher import prices, which, in turn, affect consumer behavior.

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Impact of Consumer Preferences on Kosovo's Foreign Trade

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