

CONSUMER BEHAVIOR DYNAMICS AND MARKETING OF HOUSEHOLD FURNITURE PRODUCTS: EVIDENCE FROM UZBEKISTAN

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Abstract

The aim of this study is to generate empirical evidence on consumer behavior and analyze consumer's level of satisfaction with household furniture supplied by Uzbek enterprises. Using a questionnaire survey and in-depth interviews with respondents' the consumer behavior was investigated. The study examines the product attributes that consumers consider important when choosing furniture for household use. The results indicate that Uzbek consumers' purchasing behavior depends mainly on furniture quality, design and the price. Education, individual characteristics, income and age are also the strongest predictors of buying behavior of consumers. Small and exporting companies have privileges and government support in exporting furniture products. Import furniture products are dominated in the market. The new competition strategies aligned to marketing trends can help companies respond appropriately and more quickly to different needs and expectations of customers in buying furniture products. Consequently, practical suggestions and recommendations were formulated for industry policy and strategy.

Keywords: Furniture industry, entrepreneurship and small business, competitive environment, segmentation, customer behavior, marketing, dynamics , household furniture

INTRODUCTION

Nowadays, there are more than 1500 furniture factories and shops operating in Uzbekistan.[the State Statistics Committee of the Republic of Uzbekistan(2010-2015, www.stat.uz). Eight percent of them are major enterprises and the rest, 92 percent are small businesses and micro-firms. In early years of independence, there were several large companies in furniture market.

They operated as monopoly. Nowadays it became as monopolistic competition market with few large companies and hundred small and private emerging small sized enterprises. The fact that furniture industry does not require large amount of capital investment, it does not restrict newcomers to industry. Because of large number of emerging small businesses and tough competition, we can observe high level of product differentiation and development of the industry. In order to sustain competition [Bullard, Steven H. and West, C, 2002], manufacturers country to win it with the price factor which will result in decrease of income margins in this sector and relative decrease of its attractiveness on the other hand. In order to sustain competition but also to make high profits, it is necessary for them to determine their positions in the market, including differentiation their goods from that of their competitors, such as determining exact point of differentiation and provide the export oriented and localization strategy.

The objective of this paper is to investigate trends in marketing and consumer behavior during privatization of the furniture industry of Uzbekistan between 1998-2010. Furthermore, because of globalization, competition and development of information communication technologies consumers have been becoming market “power”. [Bullard, Steven H. and West, C., 2002].The research question is what factors effecting on consumer choice in the emerging furniture market of Uzbekistan and what are the dynamics?

THEORETICAL BACKGROUND

Several studies addressed this important issue of consumer behavior. In particular, the model developed in 1969 by Howard and Sheth became afterwards as the ‘Theory of Buyer Behavior’. Input variables were the environmental stimuli that consumer is subjected from a variety of sources. Significant stimuli are actual elements of products and brands that buyer confronts (Loudon and Della Bitta, 1993), while symbolic stimuli refers to the representations of products and brands as constructed by marketers through advertising and act on consumer indirectly (Foxall, 1990). Social stimuli include the influence of family and other peer and reference groups. The consumer internalizes the influence of such stimuli before they affect the decision process.

As stated by authors (Steven, Bullard and West, 2002) “An extremely important impact of Internet and other new information technologies is that consumers will have increasing “power” in the market for nearly all goods and services.” The “power” comes from two sources: consumers’ now have the ability to compare products and prices easily; and consumers can easily communicate, individually and taken together, information about their

needs and their satisfaction with the products and services of individual manufacturers and retailers.

The stable development of any kind of industry is directly related to the process of producing and selling goods that have particular demands. This process demands rigorous – examination of consumers' behavior of these goods and factors that affect the decisions consumers make during the purchasing process.

As stated by the Theory of Reasoned Action, behavioral intention can be formed by two determinants which are attitude toward the behavior and subjective norms.[Miller, Rich and Steve Matthews (2013), "The Long, Slow, but Still-Going Recovery," Bloomberg Business week, June 10, 49-51]

The attitude toward the behavior consists of three elements including seven variables in shop service image, five variables in shopping reliability facility, and six variables in basic merchandise nature. The subjective norms consist of two elements including two variables in major reference group and one variable in minor reference group.

Furniture market could be is divided into two big categories: for household and for organizations. The furniture market for organizations can also be further divided into several areas with their own specifics and characteristics, such as: special furniture for business offices, educational institutions, clinics and hospitals, restaurants, stores and warehouses (Osservatorio Puglia 2012). In this article we aim to study the furniture market of Uzbekistan, which makes up the 58 percent of the market [www.stat.uz].

We analyzed the structure of the production based on the types of furniture goods manufactured in Uzbekistan, 58 percent of the total production accounts for household furniture, 39 percent for organization and 3 percent for other furniture [www.stat.uz]. As it is seen from the data, the manufacturing companies operate not only in consumer market, such as B to C (Business to Consumer) but they operate in the B to B (Business to Business) markets as well. This, in turn, means that there are significant differences in the activities and characteristics of the consumers of these markets.

METHODOLOGY

In order to explore the market of household furniture of Uzbekistan and collection of primary information were carried out written surveys in 1050 sample of respondents, followed covert surveillance up for 2 months were held in 15 furniture stores and oral interviews with 20 selected respondents using such methods of marketing research as a written questionnaire, conducting verbal interviews and covert surveillance.

The survey questions were of four categories: social demographic data, characteristics of furniture equipment, the behavior of the consumers during the furniture purchasing process and the factors influencing the furniture purchasing.

Descriptive statistics were used to measure mean and standard deviation of the survey results of purchasing behavior intention as shown in Table 1. From these results, consumers prefer more delivery services than stores. Moreover, consumers' purchasing decision is affected by store atmosphere. Since consumers would like to get information on furniture for new ideas from stores, customers like the stores with various types of furniture.

On merchandise nature, consumers prefer quality to cheap price (See Table 1). In furniture industry, family and salesperson seem to have more influence than celebrities (Ahmedov et al., 2007).

With the purpose of research of local household furniture market and as well as collecting primary data, marketing research methods like written survey, verbal interview and hidden observation were used and written survey from 1050 respondents, observation at 15 furniture stores during two months and verbal interview from 20 respondents were conducted. The survey questions were of four categories: social demographic data, characteristics of furniture equipment, the behavior of the consumers during the furniture purchasing process and the factors impacting the furniture purchasing.

The primary data collected using quantitative and qualitative methods were analyzed after processing with STATA and DEDUCTOR PROFESSIONAL analytical programming packages. It is worth dividing consumers into several large segments and studying them when researching the activities of furniture consumers and the factors that impact the decision making during the purchasing process.

The companies in the European countries and the USA use generation X, Y (French, Dana (2011), Evans 2008, Nicole Ponder(2013), Hudson, Kris (2013),), for example, such models as VALS methodology (from Value and Lifestyle), VALS-2, SINUS models which enables identifying the behavior of the societies based on the lifestyles of when conducting marketing research and dividing markets into segments. As these models are patented, they create difficulties in accessing data in full and openly and restrict the access. Moreover, there is an alternative LOV (List of Values) model for segmenting consumers according to the scale of expensiveness [Yankelovich, Daniel; David Meer (February 6,2006), Beatty, Sharon E.; Pamela M. Homer; Lynn R. Kahle (1988). "Problems With Vals in International Marketing Research: an Example From an Application of the Empirical Mirror Technique",.. Naomi V.N. Consumer behavior models in marketing systems: Textbook. Publ. SPSUEF, 2009. P.240.(in Russian)],

The methods are a proprietary research methodology used for psychographic market segmentation

It is worth noting that when studying the activities of consumers in any country, it is important to divide them into segments based on their history, culture, customs, traditions and what area they belong to as consumers as well as the characteristics of the products.

ANALYSIS AND RESULTS

With the advancement of technology not only did the process of manufacturing developed but it also demanded the development of the management system.(York 2013) as an example, the changes in the process of carrying out the marketing activities of the enterprises can be mentioned. Under furniture industry, in practice, a whole group of goods market with different production technologies intended to different groups of consumers, marketing methods, sales and logistics schemes is present (French, Dana, 2012).

In some cases, firms have merged or expanded to take advantage of economies of scale; by lowering per unit costs of production, furniture firms are better able to stay profitable on the “narrower margins” that often come with increased competition or that are associated with economic downturns (Bullard 1989). Furniture manufacturers have also increased in size to take advantage of computer-controlled machines and other relatively new and advanced furniture design and production equipment.

As it is known, the stable increase of durable goods markets seriously impacts the formation and development of the economics of particular counties and continents(Perry, David, 2007).

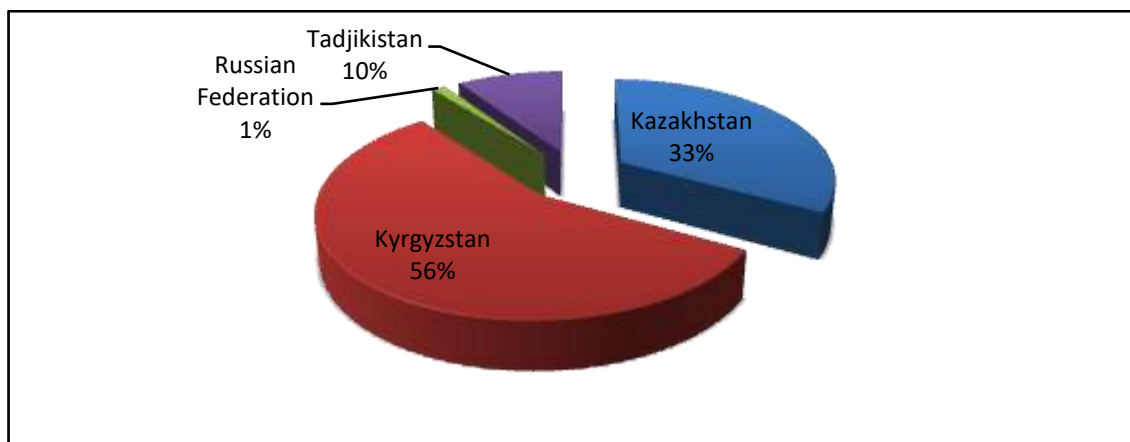
Most of the global assets in the world economy particularly belongs to durable goods markets (Perry, David (2007), “Stir Your Consumers’ Emotions,” Furniture Today, 32 (14), 22. The furniture market is one of them. According to the data from European Furniture Federation, in 2011 alone, the volume of global furniture industry was 109 billion US dollars (York, Jenny Heinzen (2013), “The Future is Now,” Home Accents Today, 28 (6), 1.).

Uzbekistan furniture industry has been developing at high speeds as well. The value of furniture manufacturing in the country in 2010 was 160 279 million Uzbek sums and in 2013 it was 248 837 million Uzbek sums. We can observe that in 2013 the furniture industry increased more than 1.5 times compared to 2010.

The export of the furniture goods made in Uzbekistan also has a tendency of stable increase. If the amount of furniture exports in 2010 was 1818 thousand US dollars, in 2013 it reached 4205 thousand US dollar. That showed that by 2013 the export value of furniture goods more than doubled as compared to 2010.

According to the analysis of the geography of the export of the furniture goods, major portions account to neighboring countries Kyrgyzstan - 56 percent, Kazakhstan - 33 percent and Tajikistan 10 - percent (Fig.1).

Figure 1. Geography of the Uzbek furniture goods exports in 2013 (in percent)



Source: prepared by the author based on the data from the State Statistics Committee of the Republic of Uzbekistan

As a result, based on analyzing the collected data, the furniture consumers in Uzbekistan were divided into following consumer segments:

Intellectual elite. This segment consists of men and women who are from 50 to 70 years of age, educated and married and are the parents of married and unmarried adults. During their lives, they have been earners of higher than middle wage and have enough savings. They still have some sort of their own business. When purchasing furniture, they firstly pay attention to the quality, design, color, used materials, additional services and assembling, services after the purchase and the speed of the service, while the price has a secondary importance for them. (See table 1). They also pay attention to such facts as country of origin. Especially, they appreciate furniture goods from Belarus, Poland and Romania. They express negative attitude towards marketing communications mediums, including advertisements. They rely on their own opinions and experiences during the purchase.

Experienced, demanding managers. This segment includes men and women who have families, from 50 to 75 years of age and the parents of married and unmarried adults. Regardless of their educational backgrounds, they have earned enough income and accumulated enough savings during their lives. They still have their own businesses that bring them income. They continuously carry out necessary purchases on time and do not profligate. They appreciate

customs and traditions. When purchasing the furniture goods the consumers of this group, in spite of the price factor being important, firstly pay attention to the quality, used materials, design, color, lifelong durability, additional services and assembling, services after the purchase and the speed of the service. The country of origin is not important and they mostly approach local manufacturers positively, and also pay attention to the individual design, their fitting with other furniture they have at home.

Organized heads of families. This segment includes men and women who have families, from 50 to 75 years of age and the parents of married and unmarried adults. They are approaching pension age or the pensioners who are still working to earn income. They have different educational backgrounds and different professions and they are in the middle income level. They plan necessary purchases and make purchases according to the degree of necessity. They gather information about furniture using traditional methods such as banners on the streets, advertisements via mass media as well as from relatives and friends and they visit around ten stores before making final, purchasing decision. The consumers of this group look at the price of the furniture as a primary factor when making a purchase. Then the quality, design, ease of cleaning, size of the furniture and its coherence with their houses, durability, service, services after purchase and the speed of the service are taken into consideration.

The wise advisers. Men and women from 60 to 85 years of age, who have their families, live with their children, pensioners; have no additional incomes and their children earn the main family income. When making a purchase of durable, high value goods for the family, the decisions are based on their advice. They rely on customs, traditions, life experiences and do not profligate. They firstly consider such characteristics of the furniture as quality, price, durability, used raw materials, color, design, and their fitting with other furniture in the house.

Proud eagles. Married men and women are mainly from 30 to 45 years of age. They are the parents of young and adolescent children. Their educational backgrounds are of secondary and higher levels. And their areas of activity are also different. They have identified their paths in their lives and they want each of their purchases to represent them and to confirm their images. They are high-income earners and they take the brands of the goods into consideration. They try to purchase goods of high quality. They gather general information about furniture using traditional methods such as banners on the streets, advertisements via mass media as well as the internet. However, when it comes to purchasing, the opinions of referent groups, particularly friends and coworkers enormously affect the process. When purchasing the furniture goods,

the consumers of this group take into consideration such characteristics as the quality, design, brand, service provision, services after the purchase and the speed of the service as primary factors.

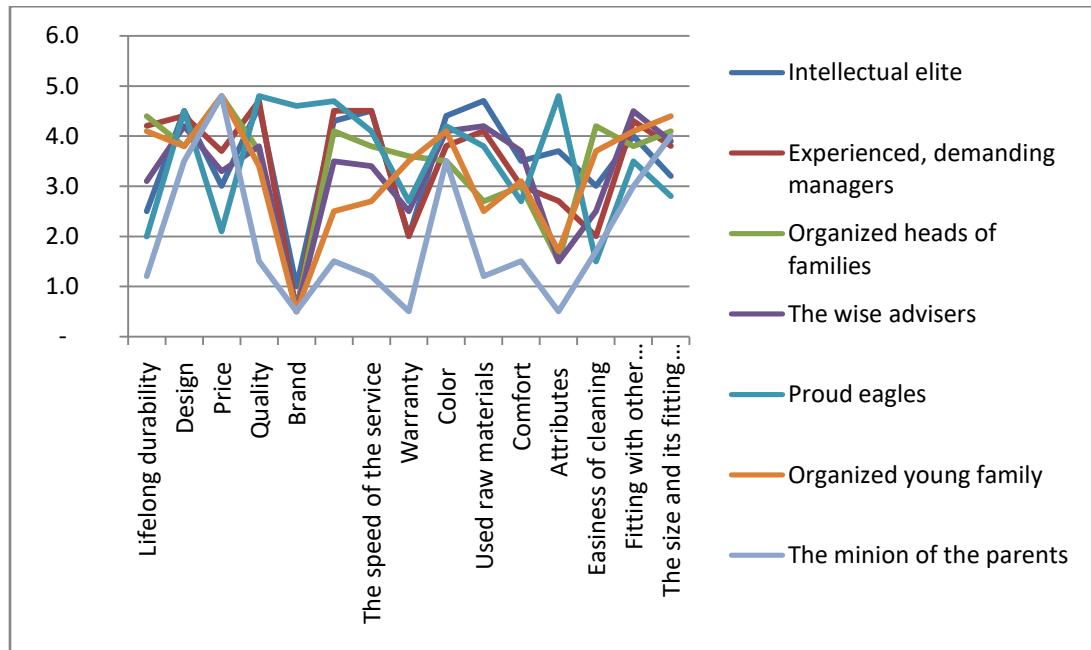
Organized young family. They are spouses from 20 to 30 years of age. They either have young children or do not have any and live with their parents. They make necessary purchases according to the plan, one by one, based on their importance and they prefer consumer loans. Their income range from middle to lower middle and their educational backgrounds and professions are different. When it comes to making major purchases, they spend more time compared to other purchases. Before making furniture and other major purchases they gather all the information and data from the internet and compare them, and they visit a store after deciding on a certain type or make the purchase from an internet store. When purchasing the furniture goods, the consumers of this group take into consideration the price as the primary factor. Then the quality, design, easiness of cleaning, size of the furniture and its coherence with their houses, durability are taken into consideration. If the service provision, service after the purchase and the speed of the service will result in the price increase, they may refuse them.

The minion of the parents. Married or unmarried young men and women are from 18 to 23 years of age. Majority of them are students or those who recently began their professions and are not earning much, and living with their parents. Durable goods such as furniture are bought by their parents or the parents of their husbands. They do not make such kind of purchases themselves. They may only make additional, minor furniture purchases. They mainly gather all the information, which interests them, from the internet. As they tend to buy minor, additional furniture, they perform this purchase as an impulse purchase. The results revealed that additional services and the country of origin are completely unimportant for them.

During the research process, selected respondents (1070) were divided into the segments explained above and they consisted of the followings: *Intellectual elite – 3 percent; Experienced, demanding managers – 15 percent; organized heads of families – 20 percent; the wise advisers – 10 percent; proud eagles – 12 percent; Organized young family – 30 percent; the minion of the parents – 10 percent.*

Using written survey and verbal interview with these current consumer groups, primary data regarding the degree of the importance of the factors that affect the purchase of furniture was collected based on a scale from 1 to 5 such as (1) completely unimportant, (2) relatively important, (3) important, (4) more important, (5) extremely important:

Figure 2. Degrees of importance of the factors, in relation to specific segments, which affect the furniture, purchase process by the consumers



The results of the research show that, for all categories of consumers are more important quality of furniture than the price. Location of stores does not matter. The factors that affect the process of the purchase and the degree of their importance in relation to specific segments, for “Intellectual elite” and “Experienced, demanding managers used materials account for 4,7; quality for 4,6; design for 4,5; the speed of the service for 4,5 coefficient. For “Organized heads of families” and “Organized young family more important price accounts for 4,8; expiration period for 4,4; easiness of cleaning for 4,2 point. “Wise advisers” fitting with other household furniture accounts for 4,5; used materials for 4,2; design for 4,2, color for 4,1 coefficient, for “Proud eagles” quality accounts for 4,8; attributes for 4,8, service provision and assembling for 4,7; brand for 4,6, design for 4,5 coefficient, for” price account for 4,8; the size and its fitting with the house for 4,4; durability, fitting with other furnishings at home, color for 4,1; design for 3,8 points, for “The minion of the parents” price account for 4,8; the size and its fitting with the house for 4; design, color for 3 points.

One of the consumer characteristics of the furniture market in Uzbekistan is that when the main reasons for purchasing furniture by the first three segments change, the degree of importance of the factors that affect the purchase changes. For example when according to local traditions furniture is presented as wedding gift to the daughter when she is getting married, the country of origin will have a decisive role.

Table 1. Descriptive Statistics

№	Product	Under 30		From 30 to 50		Above 50	
		Average	Standard deviations	Average	Standard deviations	Average	Standard deviations
1.	Lifelong durability	4,11	0,71	4,1	0,91	4,01	0,82
2.	Design	4,03	0,75	3,95	0,89	4	0,78
3.	Quality	4,41	0,64	4,5	0,58	4,2	0,95
4.	Brand	2,34	0,89	2,43	0,94	2,01	0,83
5.	Ease of maintenance	3,76	0,81	4,26	0,72	4,33	0,92
6.	Color	3,52	1,02	3,67	1,02	3,21	0,93
7.	Material	3,87	0,73	4,32	0,78	3,6	0,61
8.	Comfort	4,01	0,81	4,22	0,73	4,55	0,58
9.	Ease to clean	3,95	0,77	4,4	0,73	4,31	0,49
10.	Matching with other items	3,76	0,93	4,03	0,98	4,76	0,53
11.	The size that is suitable for space	4,33	0,73	4,61	0,67	4,55	0,98
Services							
12.	Service and Installation	3,45	0,83	4,02	0,65	3,4	0,55
13.	After sales service	3,46	0,97	3,87	0,85	4,32	0,96
14.	Fast service	3,72	0,83	3,79	1,05	3,77	0,96
15.	Warranty	4,03	0,97	4,35	0,73	4,3	0,89
16.	Price	4,14	0,76	3,88	1,05	3,66	0,57
17.	The location of the stores	2,72	0,95	2,87	0,88	2,44	0,56

Our findings show that that for furniture consumers of Uzbek market are more important quality of furniture than its price, branding of a product is less important which are in the line with the existing consumer theories. But Uzbek market has some features, like slow and family decision making in purchasing a product, an individual ordering it and blending of national and international styles of furniture, etc.

DISCUSSION AND CONCLUSION, LIMITATIONS

As a result of conducted research, we have made the following conclusions as well as provided general recommendations regarding the development of the marketing activities of the furniture manufacturing enterprises and creating the strategy for advantage of the efficient competition. Many of the larger furniture manufacturers in Uzbekistan have invested heavily over the decade in new facilities, equipment, and manufacturing processes and methods. Although individual firms may find it difficult to “stay ahead” of competitors for very long, intense local competition has resulted in localized furniture industries that are highly efficient using mass production techniques. Mass production techniques are less effective than “lean” production processes, and significant changes are occurring in factory-level organization and management. Local rivalry is helping to ensure that these changes take place (S. H. Bullard and C. D. West, 2002).

Larger firm size has been advantageous in the furniture industry in the past and the expansion and consolidation of firms may continue in the future. Today, however, there are also reasons to expect that relatively small firms will grow in number. It is difficult for small businesses to cover all segments of the furniture market and provide the services. For this particular reason, it is necessary for the businesses of the area to choose more than one target segment and determine differentiation positions based on specific characteristics of the consumers. Moreover, in order to get advantage in the competition, it is better to use such strategies as “Focus strategy (Low cost)” or “Focus strategy (differentiation)”. With the characteristics and demands of the above-mentioned segments in mind, furniture-manufacturing businesses should run marketing complex (marketing-mix) policy.

This research is an exploratory study of the consumers in the furniture market of the emerging economy. Practical implications – In today’s unstable business environment and growing furniture market in the transition consumers can make a crucial strategic contribution to competitive success. It has clear value to strategic planning for marketing in Uzbekistan. The paper offers empirical findings from furniture retailing companies, where a shortage of studies has been observed and broadly confirms the findings and conclusions of earlier studies in other industries in the international context.

Future research concerning the case of the furniture manufacturing industry in Uzbekistan is needed as the story continues to develop. Further, the implications of the consumer behavior are enormous for domestic industries. The furniture manufacturing industry is not in isolation in this regard. Moreover, many domestic industries have encountered similar situations. Additionally, future research on consumer behavior in Uzbek market could also better inform furniture producers.

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