

BUSINESS  
LANDSCAPE

# Made In Iraq

A Closer Look Into  
the Iraqi Consumers



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KAPITA

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## Made In Iraq: a closer look into the Iraqi consumers

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Please note that an extended version is available in our website.

**Disclaimer:** The views and opinions expressed in this research are those of the authors and do not necessarily reflect the position of KAPITA Business Hub.



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# Introduction

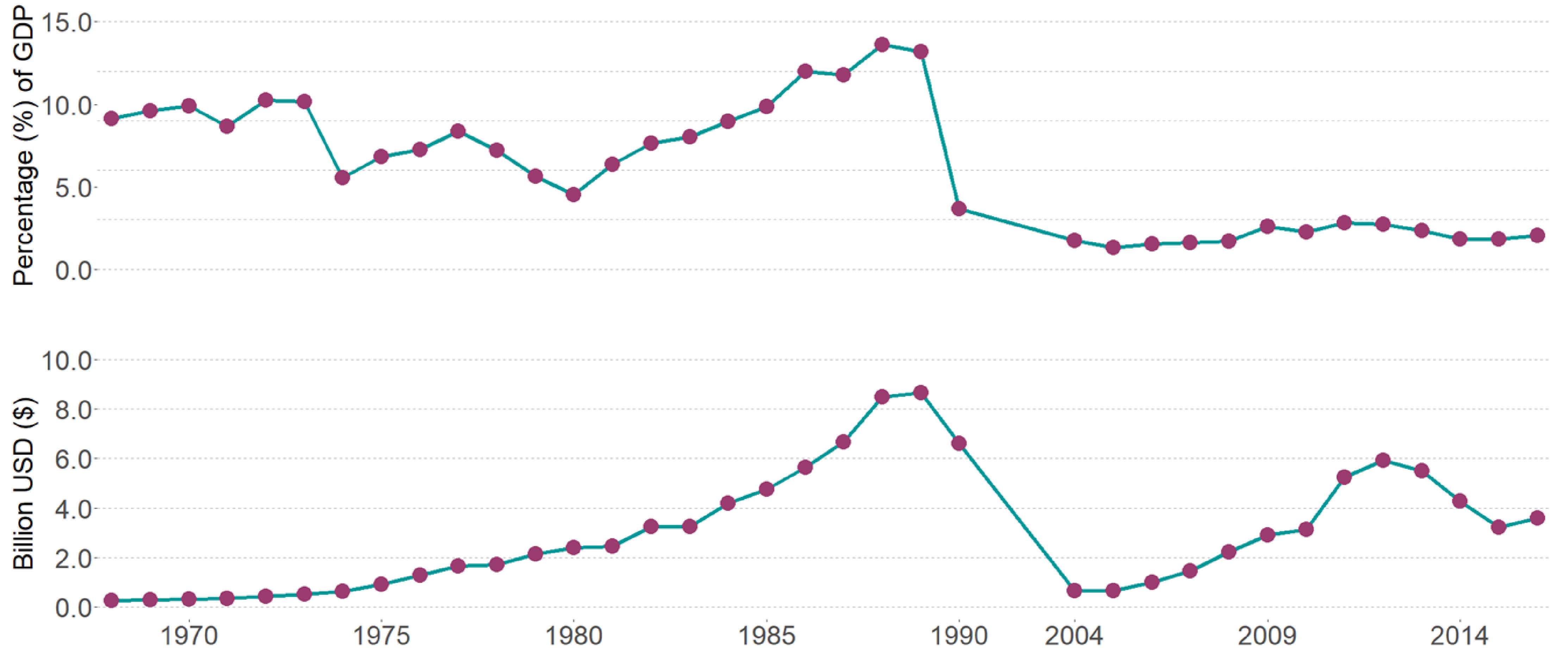
By 1990, more than 17 million Iraqis were almost fully dependent on the Iraqi market and its products. Thus, the Iraqi industry was growing at a rapid pace and Iraqi factories were fulfilling the needs of local markets. By 1989, Iraq's manufacturing input reached a staggering 8.6 billion USD. However, from 1990 to 2003, the blockade and oil-for-food program (OFFP) caused a series of challenges that had a negative impact on the gross national production as many factories had to shut down, shifting Iraq gradually into becoming a consuming country. Now a days, over 65% of GDP, 90% of central government revenue, and nearly all of the country's exports are related to the oil sector. The steep decline in oil prices in 2014 led to a decline in the overall growth of the economy of Iraq. Together with the rise in the importing of imported products unemployment rates soared, greatly altering its overall security and socio-economic stability. Iraq is considered to be one of the most youthful countries in the world with nearly half of its population being less than 21 years old, the unemployment rate among these youth has reached a staggering high of 25%. The oil-sector in the heavily oil-dependent economy contributes to about 1% of employment while Iraq's public sector employment costs about 40% of the Governmental budget burdening developmental programs. The ethnocentric campaign "Made in Iraq" has stirred the Iraqi community towards purchasing Iraqi products and supporting local businesses thus creating jobs for Iraqis and nourishing the private sector. Moreover, and in response to the aforementioned campaign, it is noted that there is no clear study of the different factors influencing shopping behavior among Iraqis as there is a marked variation of public preferences when buying a specific product.



Imported Products in Iraq.  
(Photo: Sabah Arar)

# Manufacturing Percentage of GDP & Net Output Over the Years

## Manufacturing in Iraq Over the Years



# Research Objectives

1. Asses the consumption differences between Iraqi products and imported products in Iraq
2. Identify the main factors that impact the consumers' behavior in buying Iraqi products and imported products in Iraq
3. Identify the main factors that lead consumers to avoid buying Iraqi products and imported products in Iraq
4. Measure the effect of the recent Iraqi campaign to encourage local production
5. Observe the above points in different groups including gender, location, age, and education level

# Research Methodology

In order to achieve the research objectives, primary data collection was obtained as convenient sampling through an online survey and was distributed on Iraqi Facebook pages that had more than one million likes. The pages were carefully picked to include those with a representative community, that are mostly concerned with the general life events in Iraq.

The decision of online data collection was made to reach a diverse range of the population in a way that protects the integrity of research. By conducting an online survey, our chances of having people from different cities in Iraq, both gender participants, and a variety of educational levels are higher given the time the data collection took place.

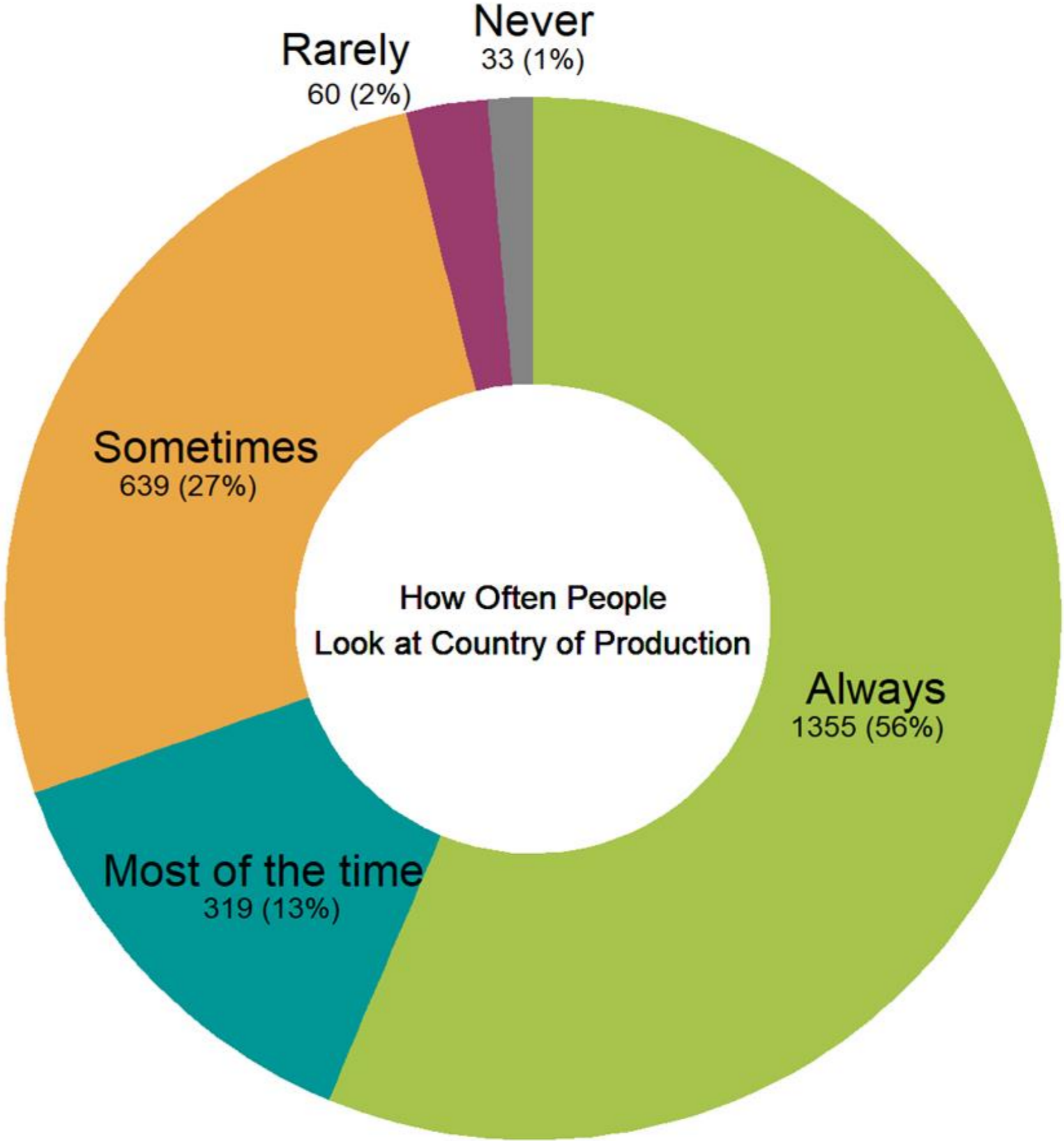
The design of the survey was carefully constructed to answer the five research objectives. In order to have consistency in the data collected, the answers were restricted by selected choices drafted by experts in the research team. The duration of data collection was two weeks after the day of electronically publishing the survey. No responses were accepted after the two weeks period.

# Data Summary Statistics

	Age	Gender	Educational Level	City
Sample Size (n=2406)	Mean (SD): 26.9 (8.31) Median [Min, Max]: 25.0 [14.0, 67.0] Missing: 106 (4.4%)	Females:789 (32.8%) Males: 1607 (66.8%) Missing: 10 (0.4%)	Bachelor or above: 1774 (73.7%) High school: 507 (21.1%) Middle school: 81 (3.4%) Elementary school: 38 (1.6%) Missing: 6 (0.2%)	Al-Diwaniyah:71 (3.0%) Al-Anbar: 43 (1.8%) Al-Muthana: 17 (0.7%) An-Najaf: 72 (3.0%) Babylon: 67 (2.8%) Baghdad: 1086 (45.1%) Basrah: 91 (3.8%) Dhi-Qar: 62 (2.6%) Diyalah: 31 (1.3%) Duhok: 17 (0.7%) Erbil: 40 (1.7%) Karbala: 67 (2.8%) Kirkuk: 26 (1.1%) Mayssan: 21 (0.9%) Nineveh: 546 (22.7%) Salah Ad-Din: 49 (2.0%) Sulaimania: 9 (0.4%) Wasit: 36 (1.5%) Missing: 55 (2.3%)

# Customer Awareness of Products' Country of Production

The questionnaire asked respondents if they checked the country of production when purchasing a product. Generally, the answers were similar, even when sub-analyzed by gender, location of residence and level of education, most (56%) said that they always check the country of production. The remainder of the sample, around 40%, checked the country of production but not as frequently, that could be due to the familiarity with the brands available. The only noticeable difference was when compared by the location of residence, as 52% of Baghdad residents responded with always checking the country of production when 59% of residents of the remaining governorates responded with always checking the country of production.



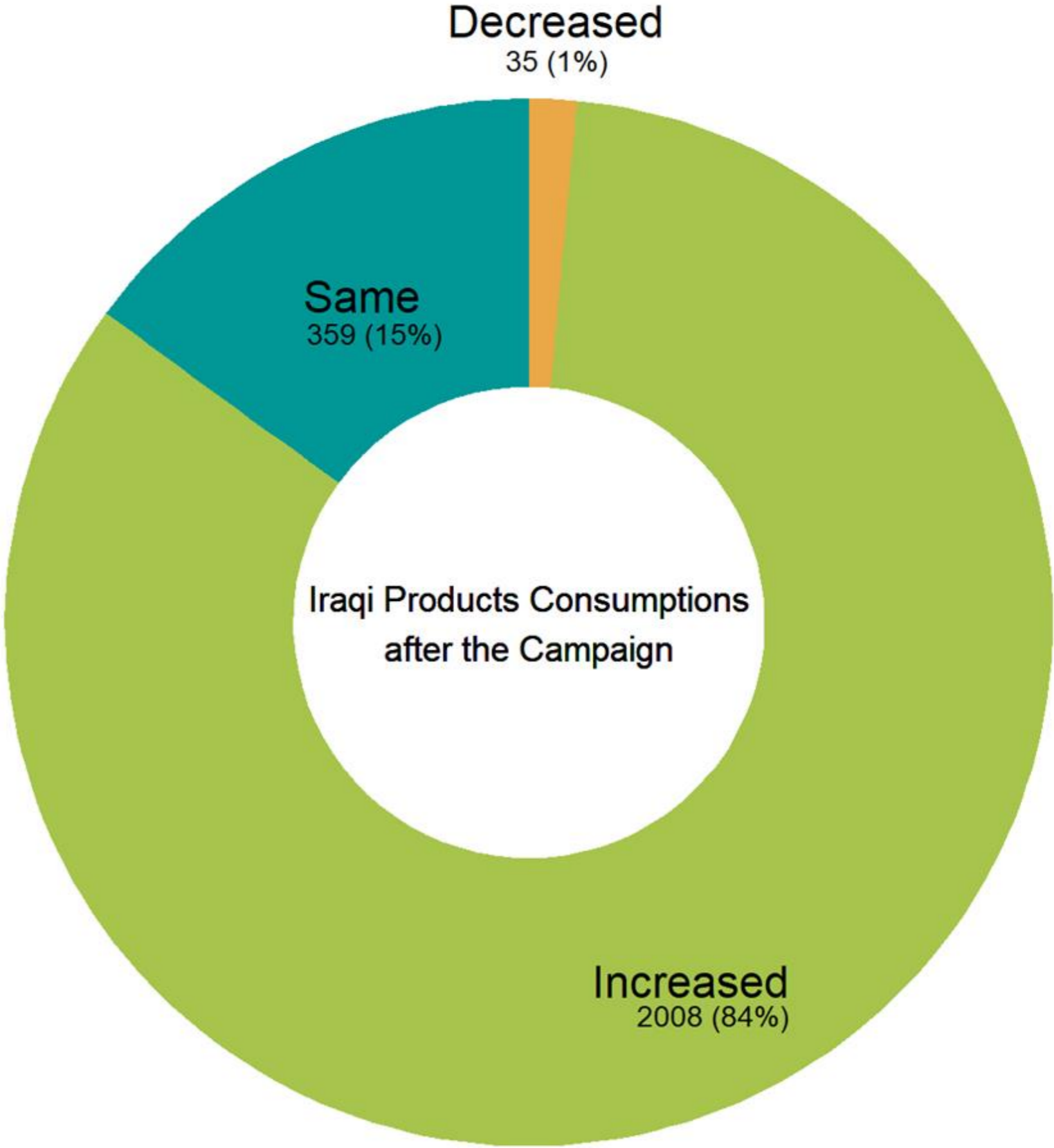


# Iraqi Consumers Behaviour After the Campaign

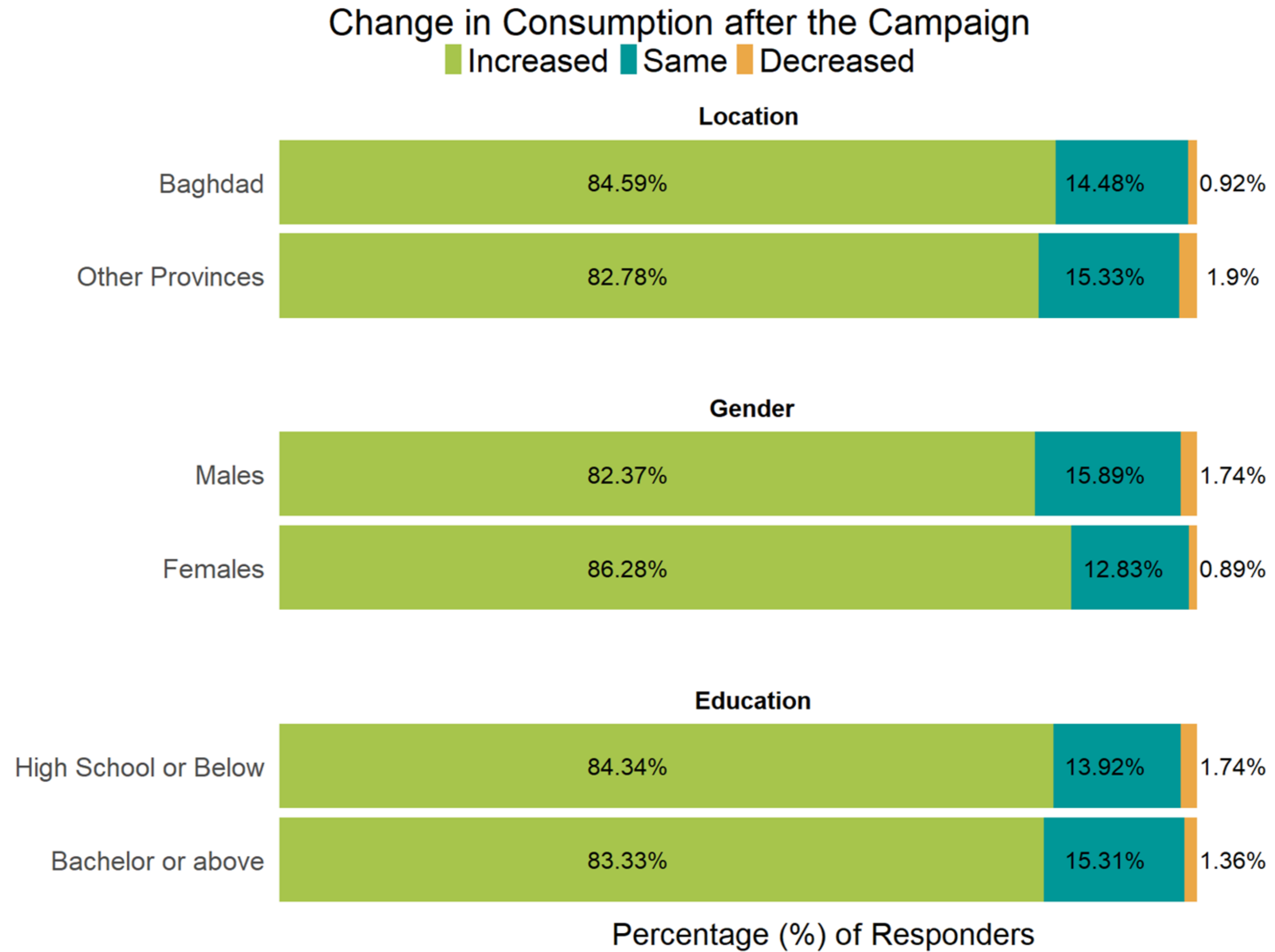
The questionnaire then asked respondents if any change has occurred to their consumption behavior towards Iraqi products after the “Made in Iraq” campaign. As the graph shows, most respondents (84%) increased their consumption of Iraqi products, replacing their foreign options for domestic ones. Only 15% said their consumption was not affected by the campaign, this could be due to the fact that these people could have already been consuming Iraqi products or saw that the campaign had not affected the Iraqi product’s features in a convincing manner.

Females positively changed their purchasing habits more readily than males after the campaign, as fewer people stayed the same (13%). This does not mean that the support from males is not unworthy, as 82% of males increased their Iraqi product purchasing.

Data has not shown much difference between other subgroups.

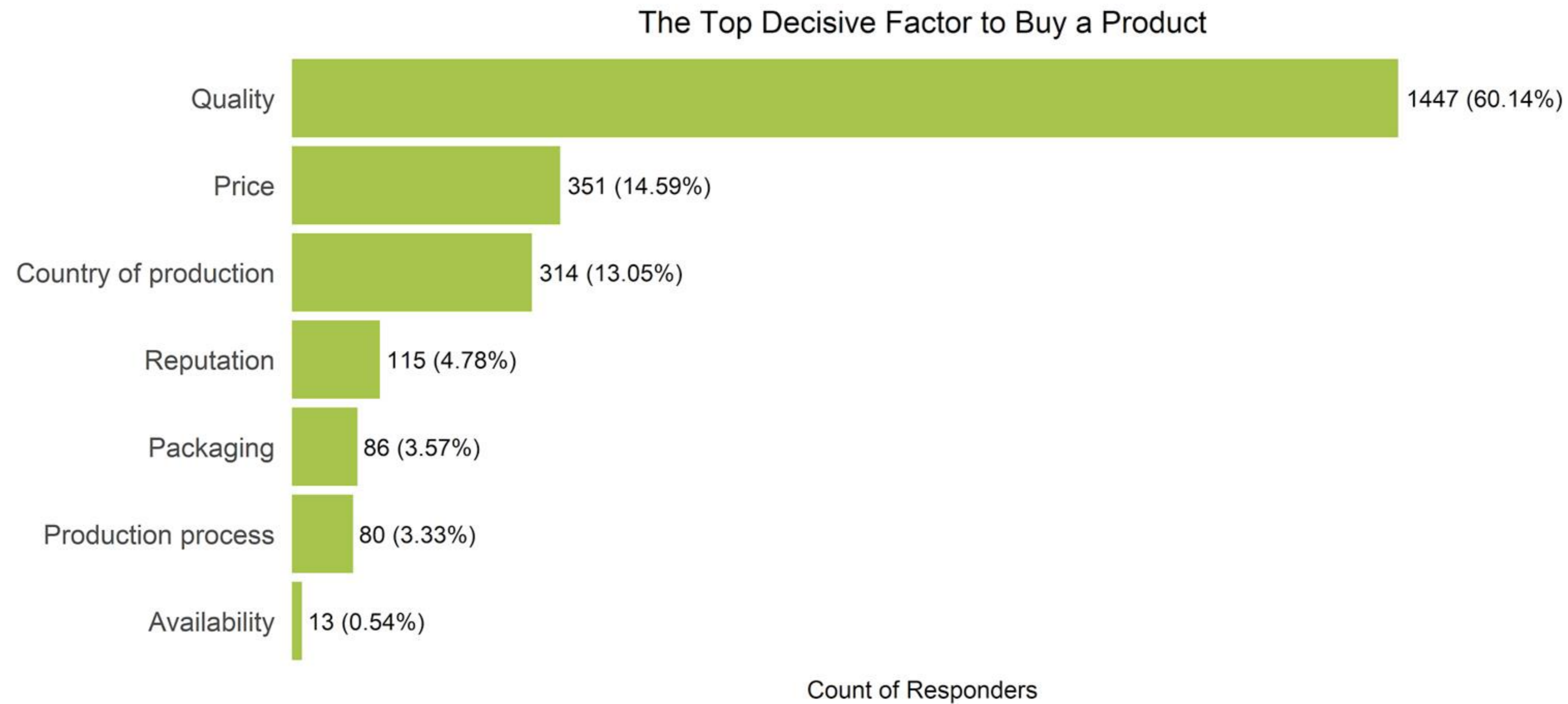


# Iraqi Consumers Behaviour After the Campaign



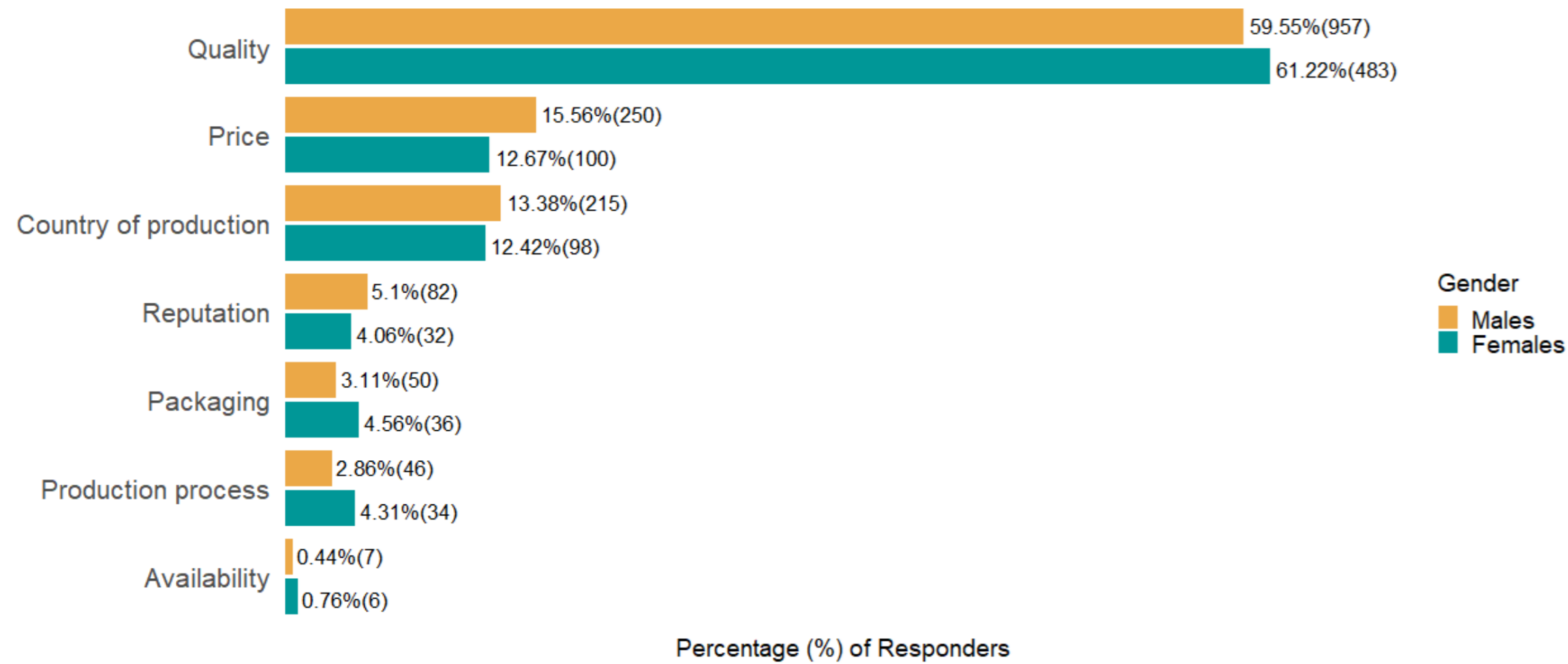
# Motivating Factors to Purchase Products in General

Our sample was asked to rank the most significant factor that motivates them to purchase an item for Iraqi and non-Iraqi products. As shown in the bar chart, the first three decisive factors when choosing to purchase a product are quality, price, and country of production, respectively. Quality was the most important factor with 60% of respondents agreeing to it being the first thing they look for when purchasing an item. Price (14.59%) had a slight advantage to the country of production (13.05%), as it was the 3rd most important factor for respondents. Subgroup analyses for the same question are shown below as well.

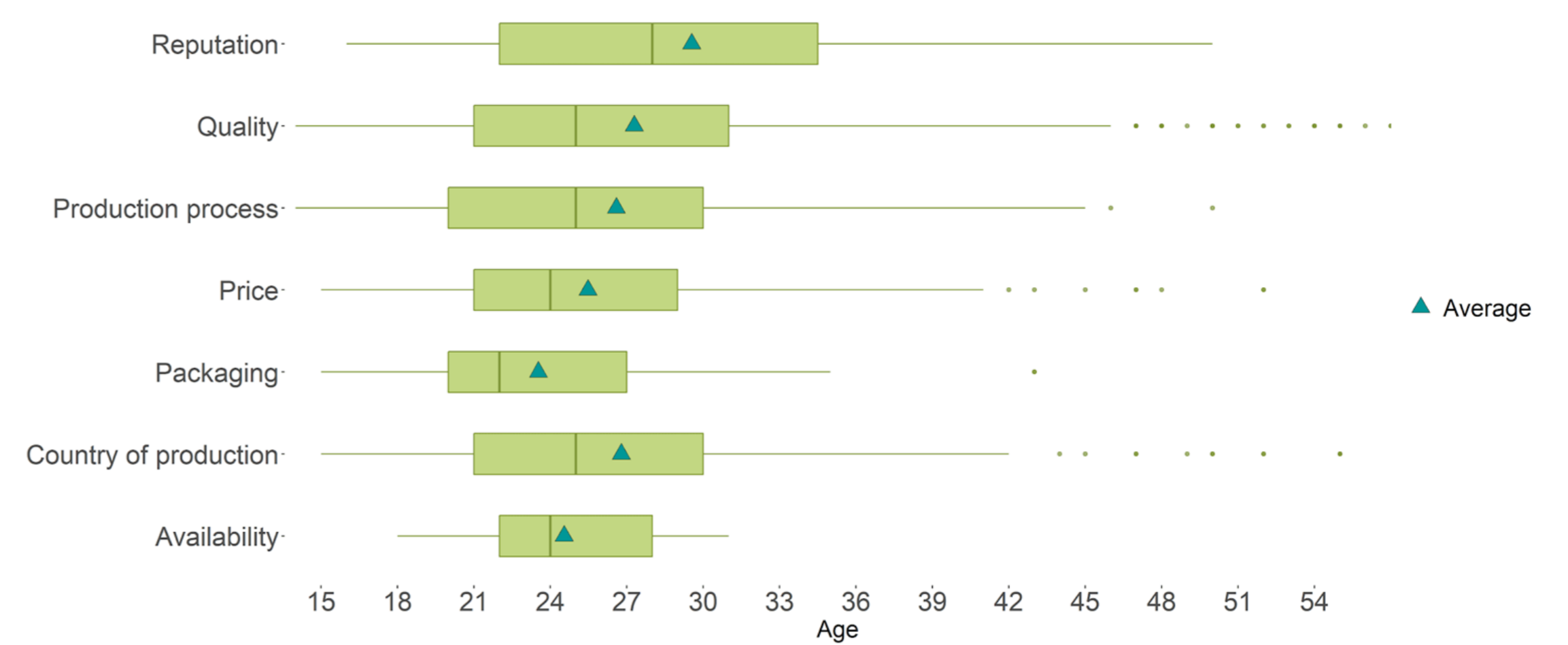


# Motivating Factors to Purchase Products in General - Subgroup Results

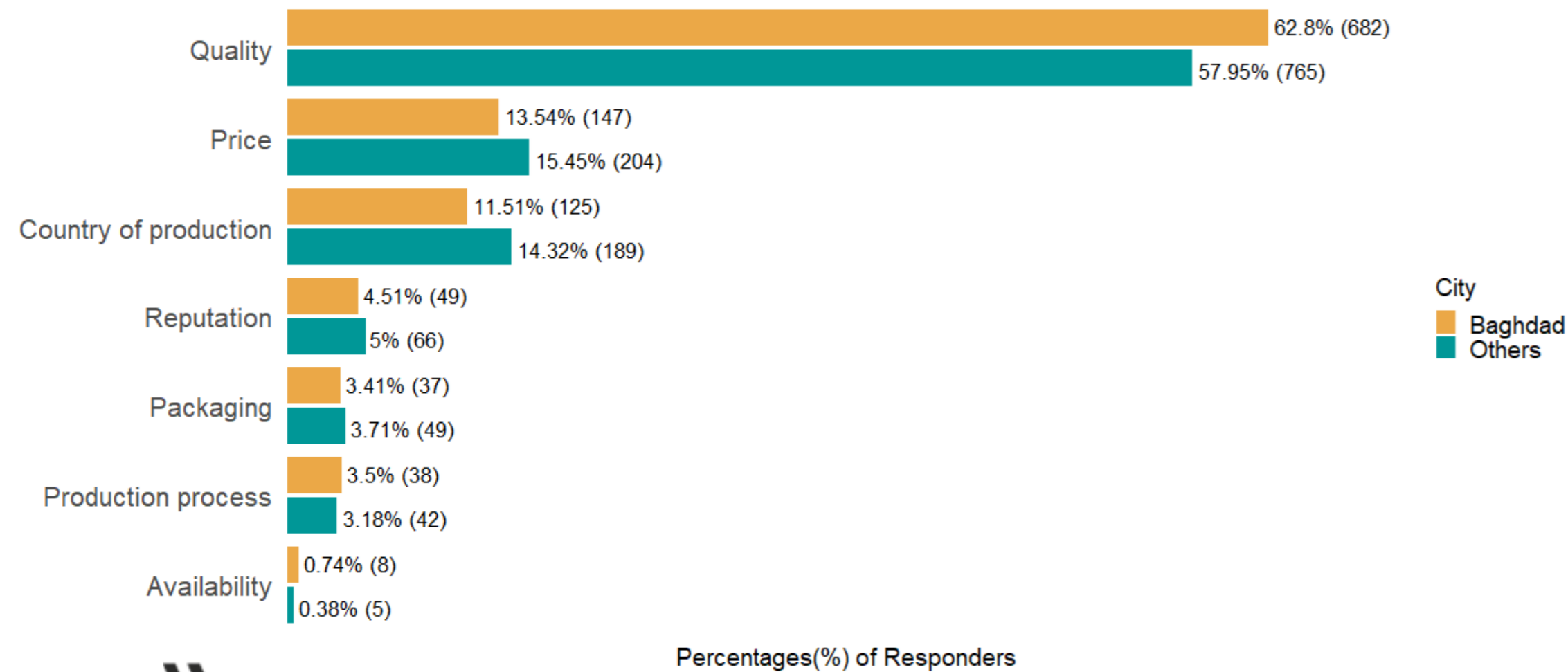
The Top Decisive Factor to Buy a Product by Gender



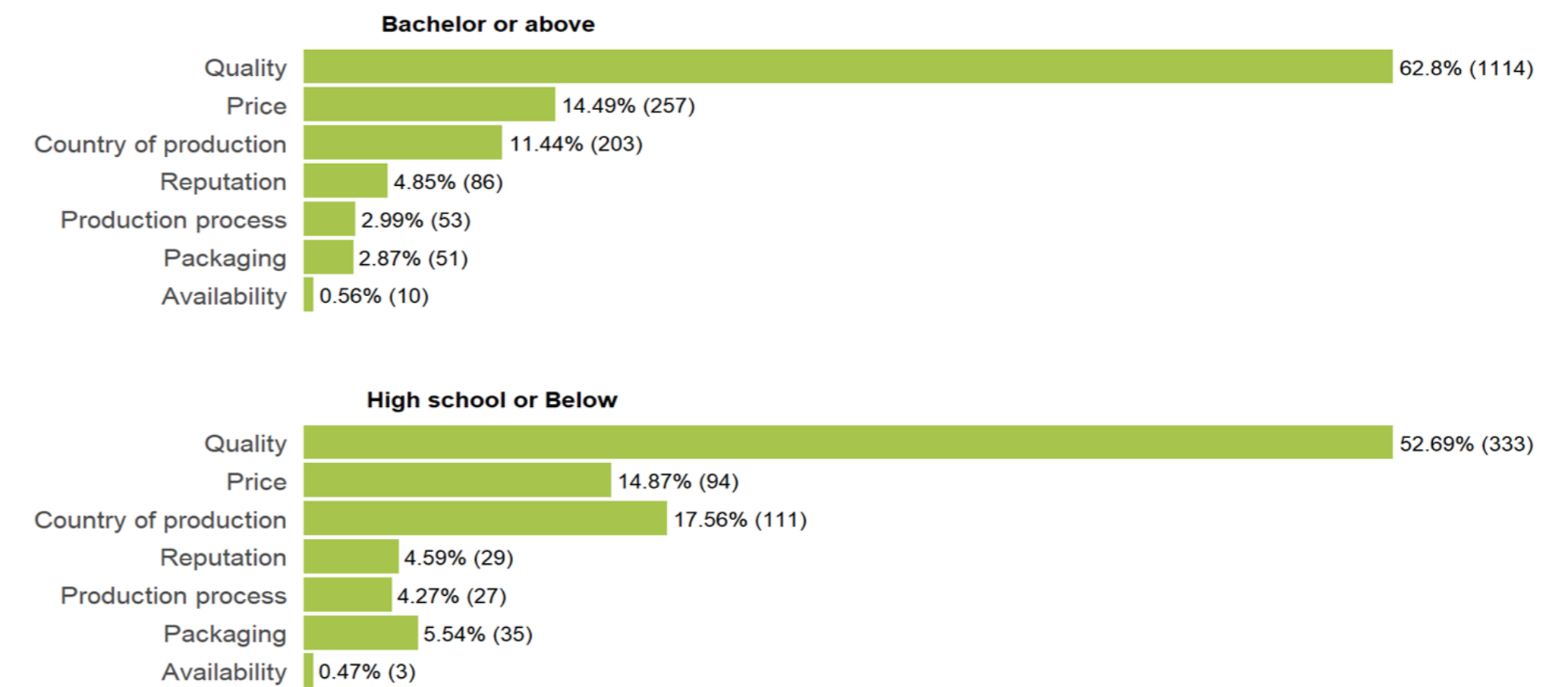
The Top Decisive Factor to Buy a Product by Age



The Top Decisive Factor to Buy a Product by City

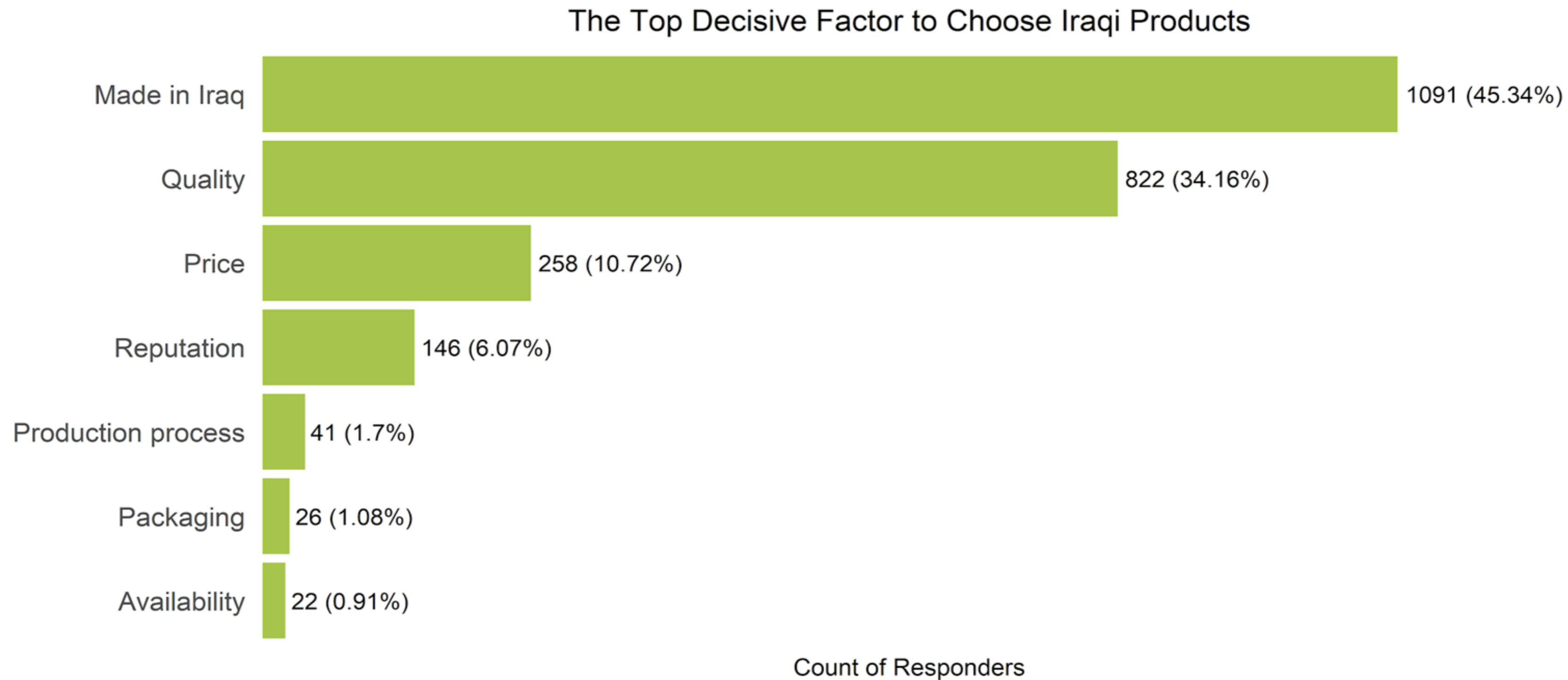


The Top Decisive Factor to Buy a Product by Education Level



# Motivating Factors to Purchase Iraqi Products

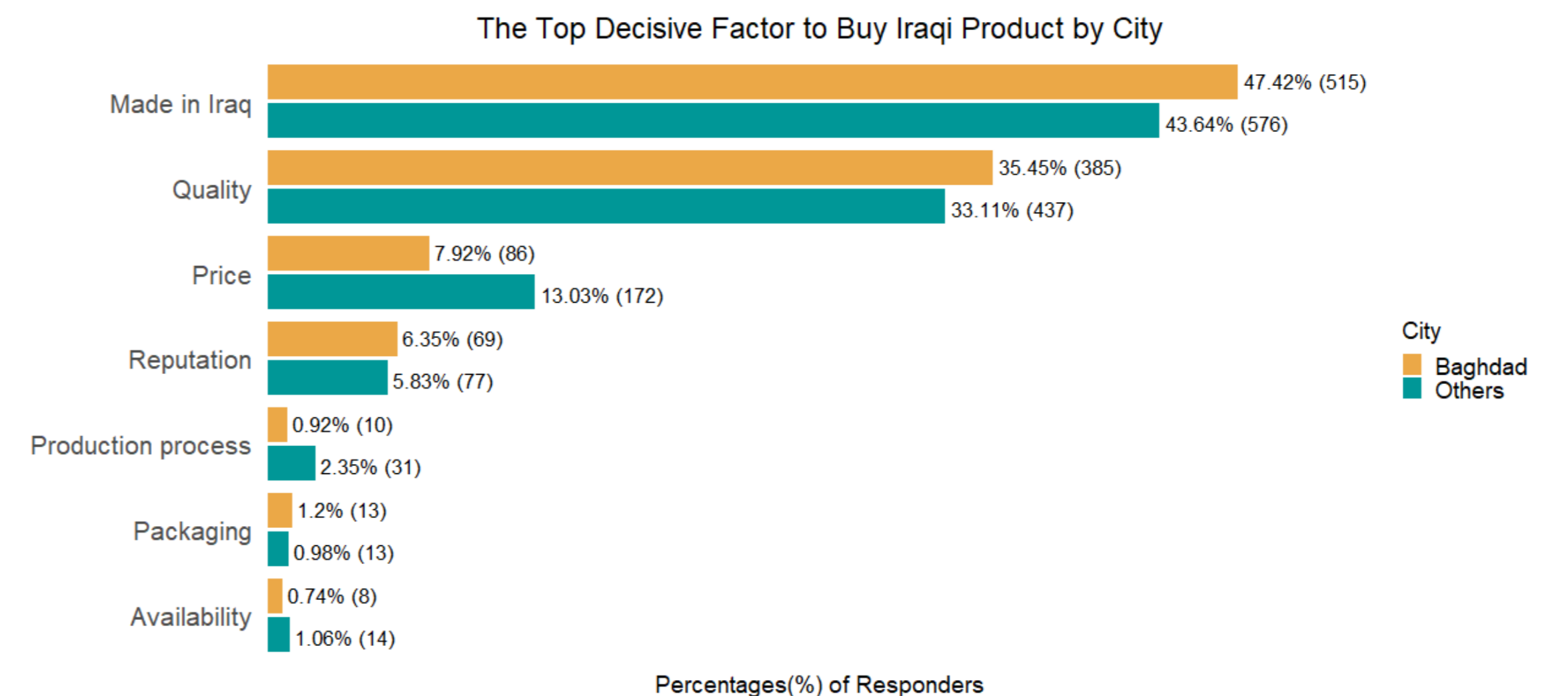
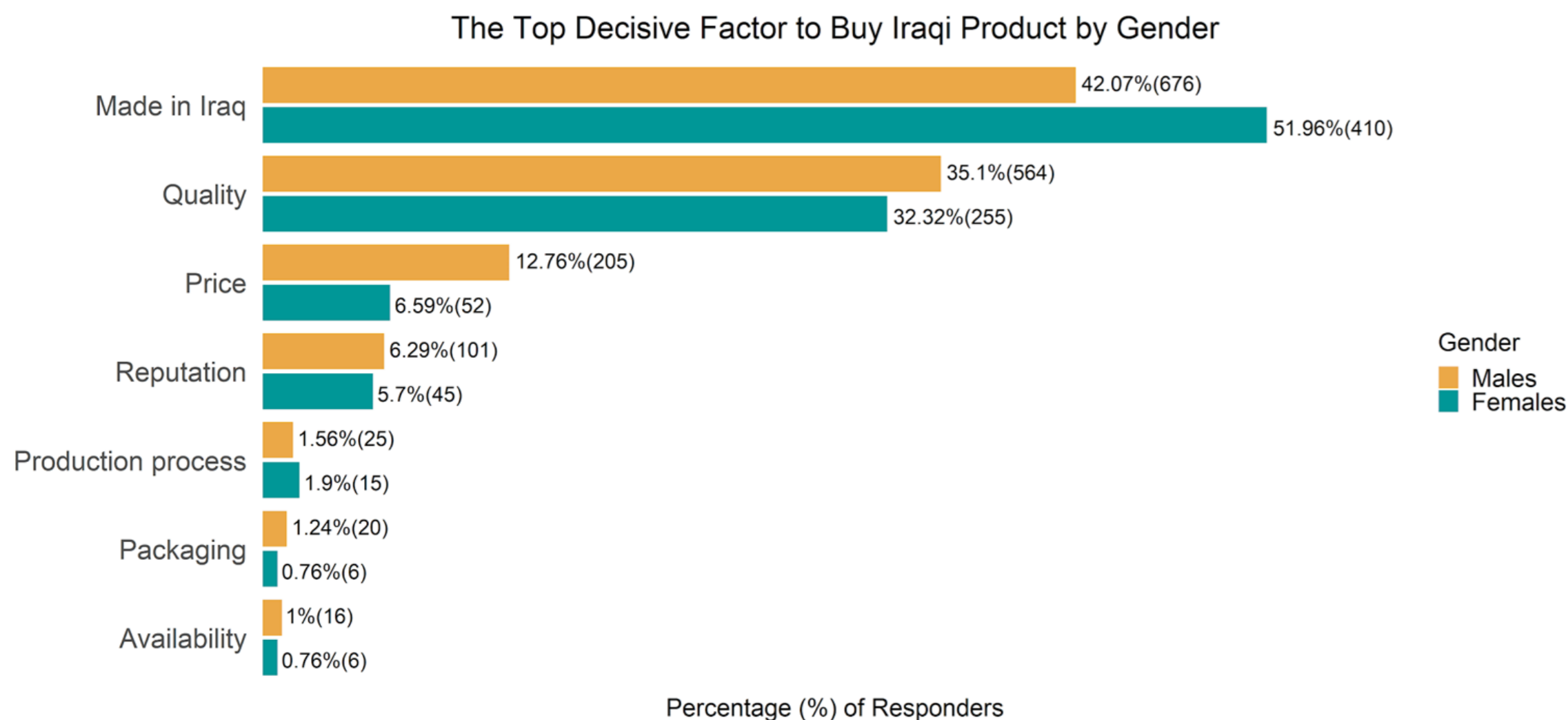
As we come to the second part, which is the motive to buy Iraqi products, a shift in the attitude is noticed through data analysis. Mainly, 45% of people would buy Iraqi products for the sake of them being produced in Iraq which shows the desire for having an ethnocentric market. However, quality still mattered a great deal to Iraqi consumers as it was the second top decisive factor with 34% of the sample chose it. Price and reputation came 3rd and 4th with 10% and 6%, respectively. This means that any product should keep in consideration that product price is still important albeit the purchasing capacity of the market. This observation could shed a light on the premise that certain older more reputable products still have the support of the market regardless of their availability and price.



# Motivating Factors to Purchase Iraqi Products - Subgroup Results

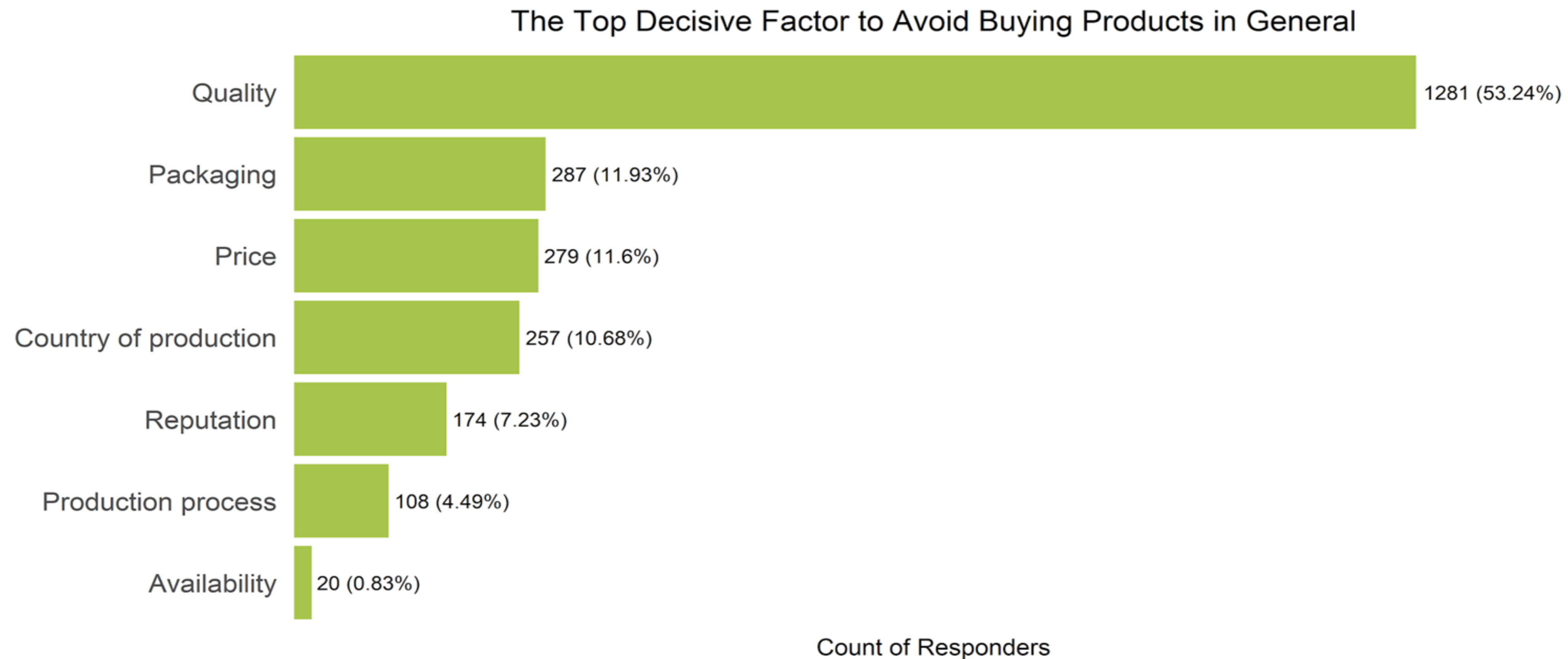
When dividing Iraqi consumers by genders, females showed greater enthusiasm for supporting Iraqi products than males as 51% voted for having a product made in Iraq as the most important factor to buy the product. Males did not fall very far behind though, as 42% still chose the country of production as their first option. Quality came in second place, with males (35%) caring more for the product quality than females (32%). Both genders considered price in third place, however, males (12.7%) were more likely to consider it as a decisive factor than females (6.5%).

On the other hand, the country of production was ranked first in both Baghdad and the remaining governorates with an advantage to Baghdad as it was much influenced by the “made in Iraq” campaign when compared to other governorates. Although votes were more from other governorates, 47% of Baghdad’s response chose “Made in Iraq” as the top factor to buy Iraqi products as opposed to 43.6% of governorate responses. Price was a tricky factor to study in this graph. Initially, it seemed like a more important factor for governorates than for Baghdad as 7.9% of Baghdad residents cared for price versus almost twice as many people (13%) choose price as the third factor in the top decisive factor list. However, upon further analysis, it was found that that difference was not significant and Baghdad respondents did not care less about price than their counterparts residing outside Baghdad . Other factors are presented in the graphs below.



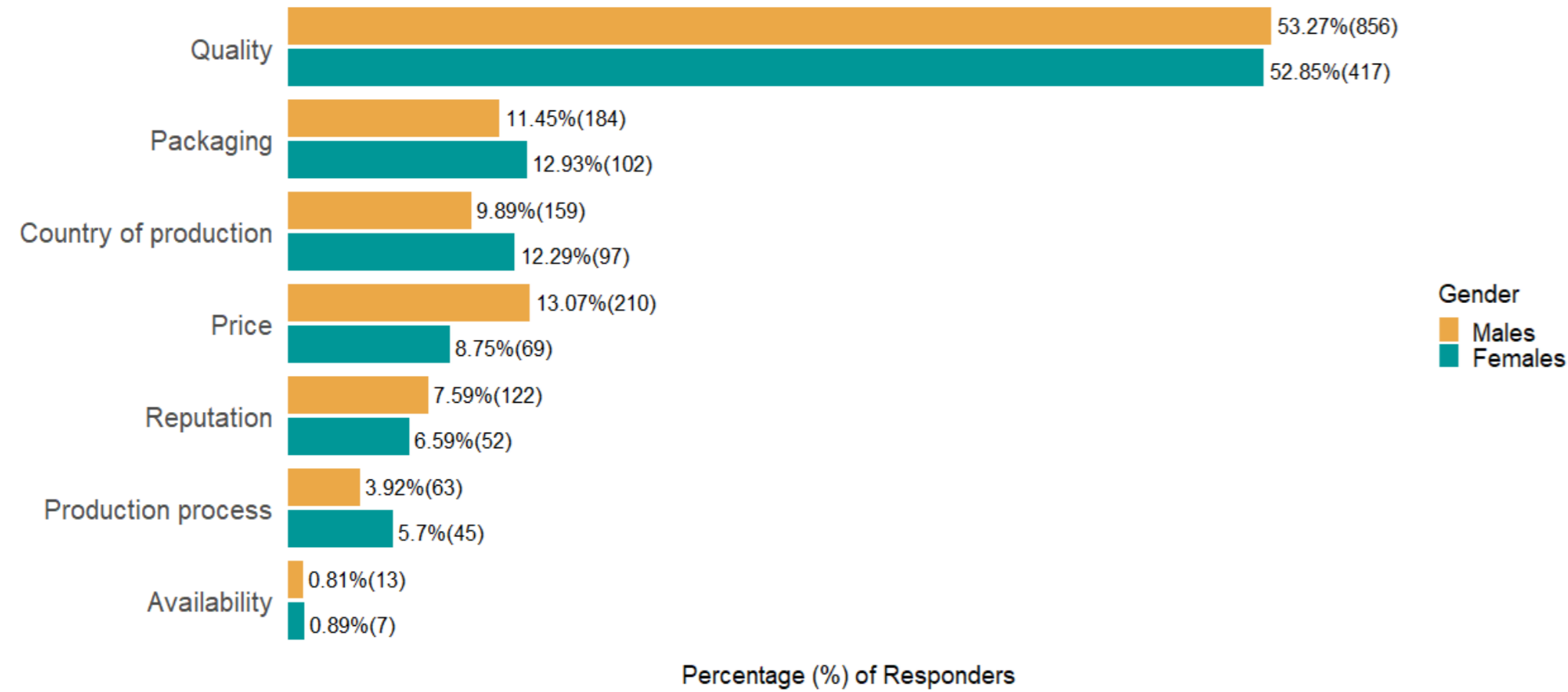
# Discouraging Factors for Purchasing Products in General

In order to understand the consumers' behavior and factors that discouraged people from buying goods, a question to rank the top factor according to which they avoid buying products in general was asked. The results showed that the most decisive factor people take into consideration was the product quality when they avoid certain products. A total of 1281 (54.24 %) of our sample chose quality. A significantly less important factor but came as a second most decisive factor was packaging with a total of 287 (11.93%) people choosing it. These two factors were followed by price (11.6%), country of production (10.68%), reputation (7.23%), production process (4.49%), and availability (0.83%).

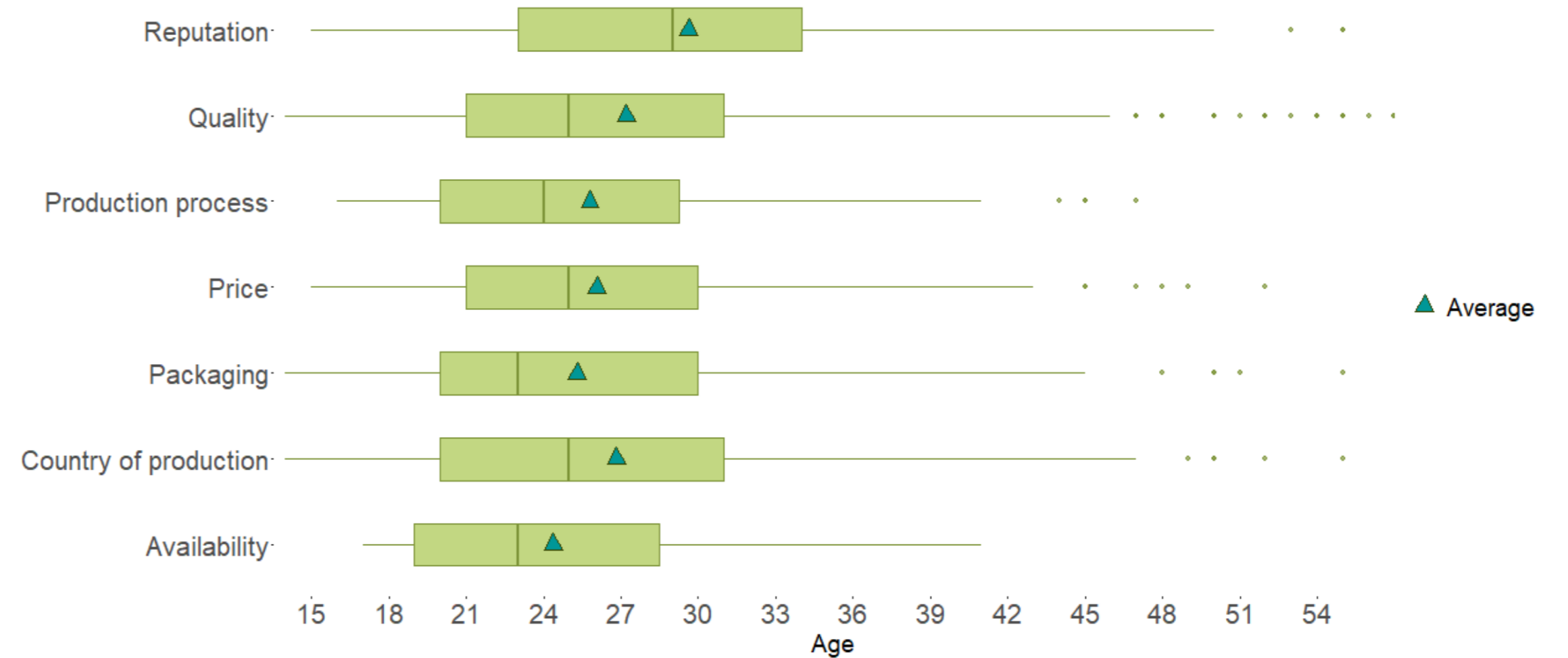


# Discouraging Factors for Purchasing Products in General - Subgroup Results

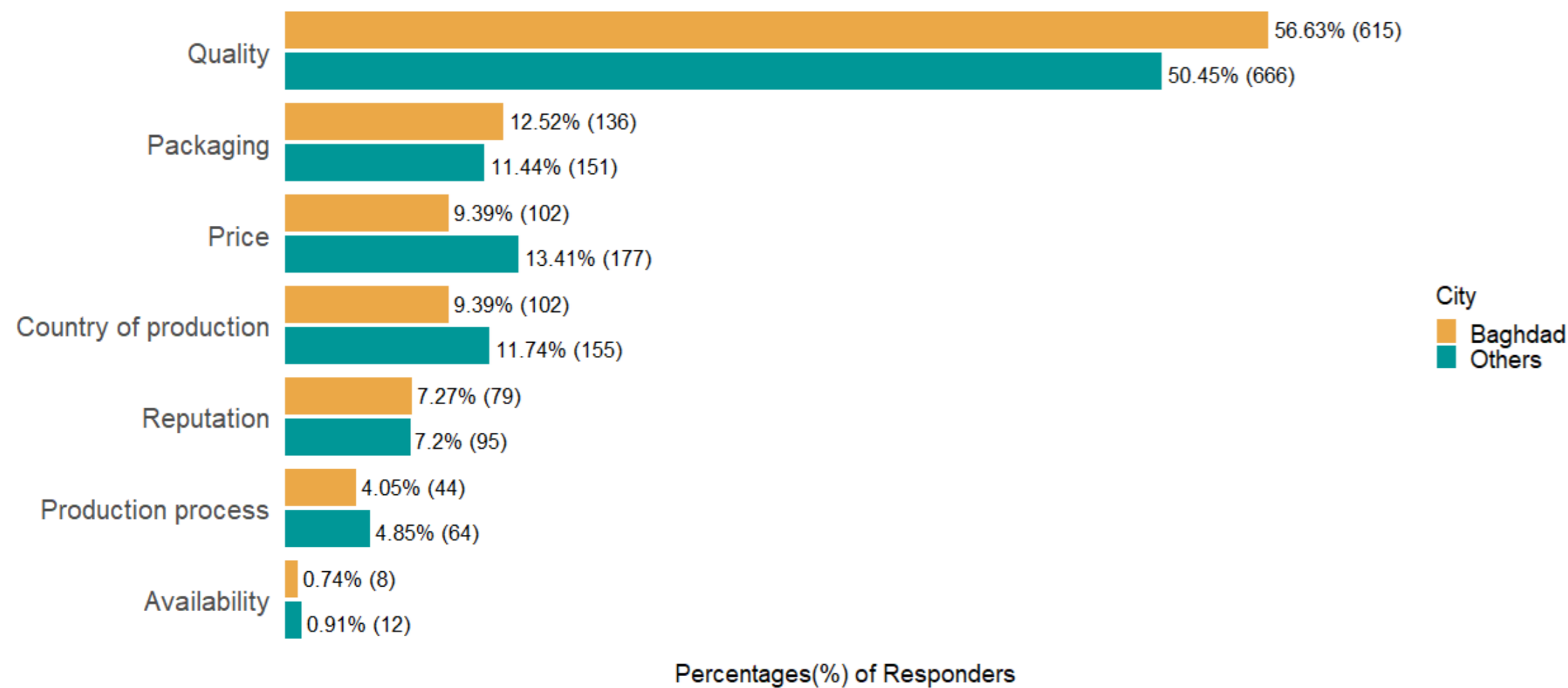
The Top Decisive Factor to Avoid Buying Products by Gender



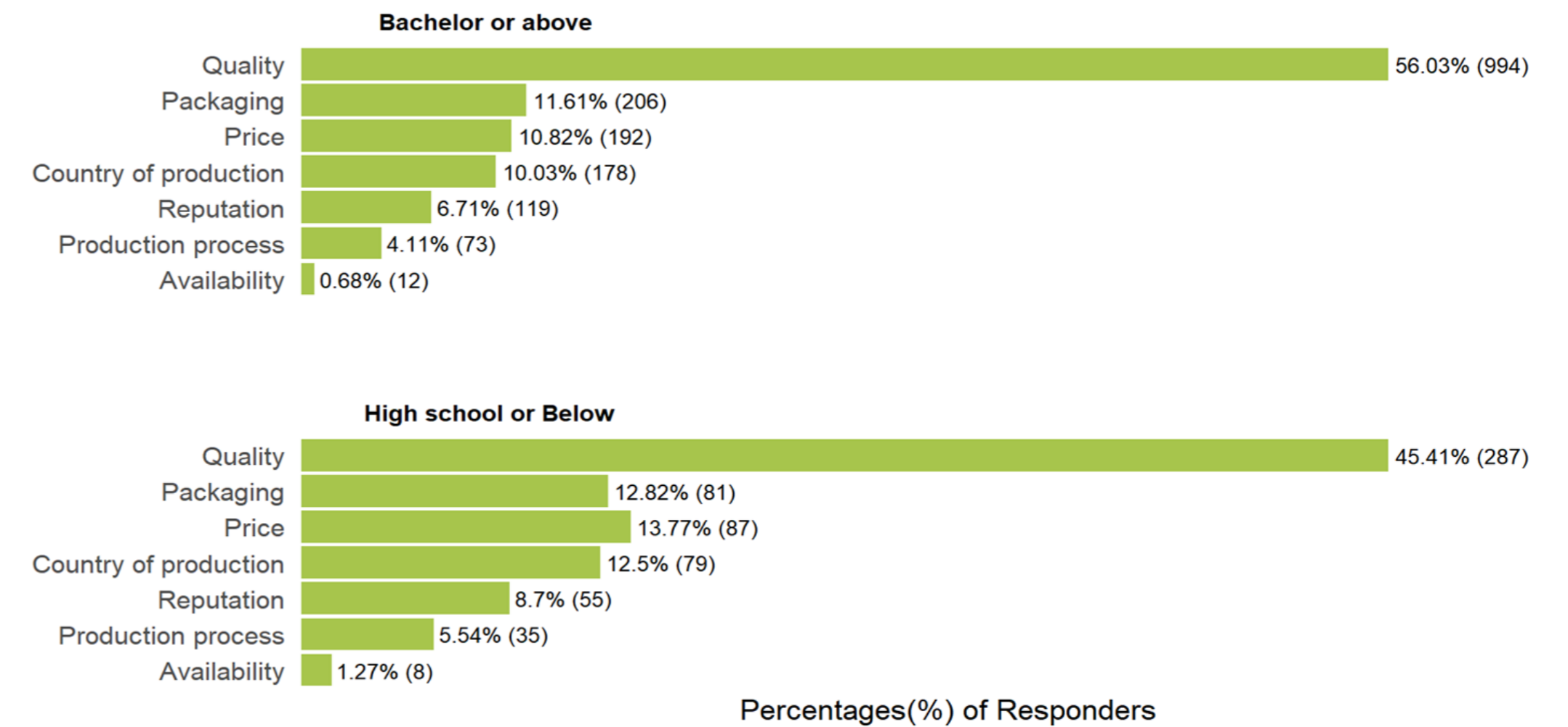
The Top Decisive Factor to Avoid Buying a Product by Age



The Top Decisive Factor to Avoid Buying Products by City



The Top Decisive Factor that Make People Avoid Buying Products by Education Level

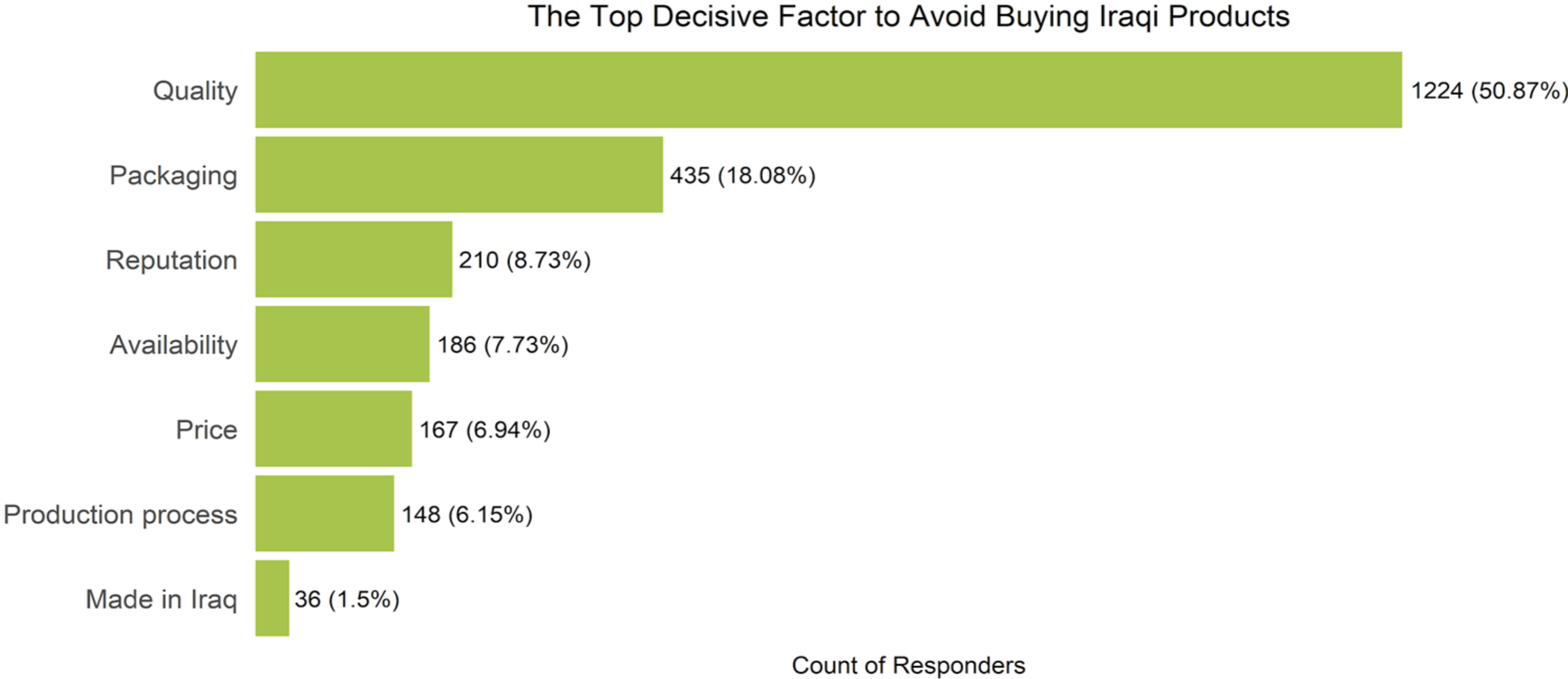




# Discouraging Factors for Purchasing Iraqi Products

The other question that was asked to the participants was specifically related to the Iraqi products. For the purpose of understanding the main factors that make Iraqi consumers avoid buying Iraqi products, participants had been asked to rank the top factor that make them avoid buying Iraqi products.

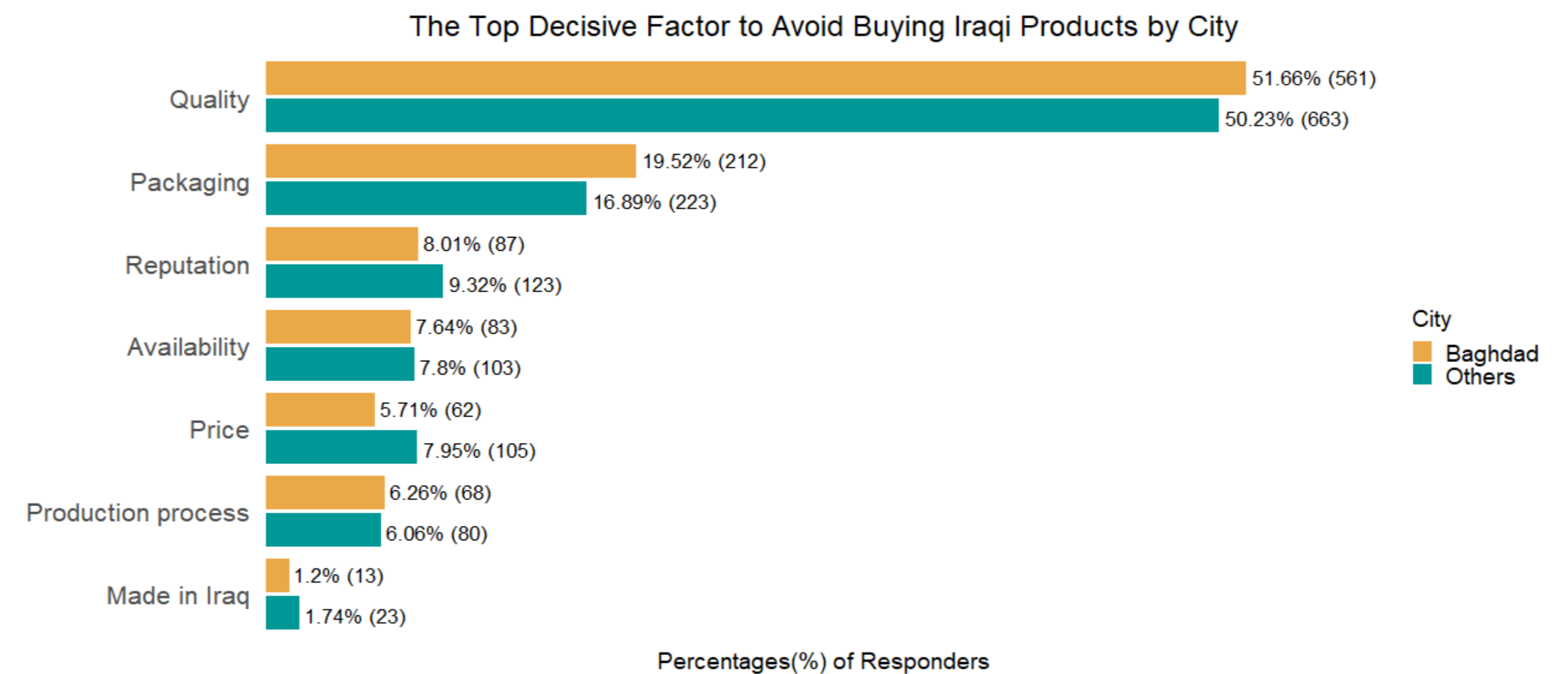
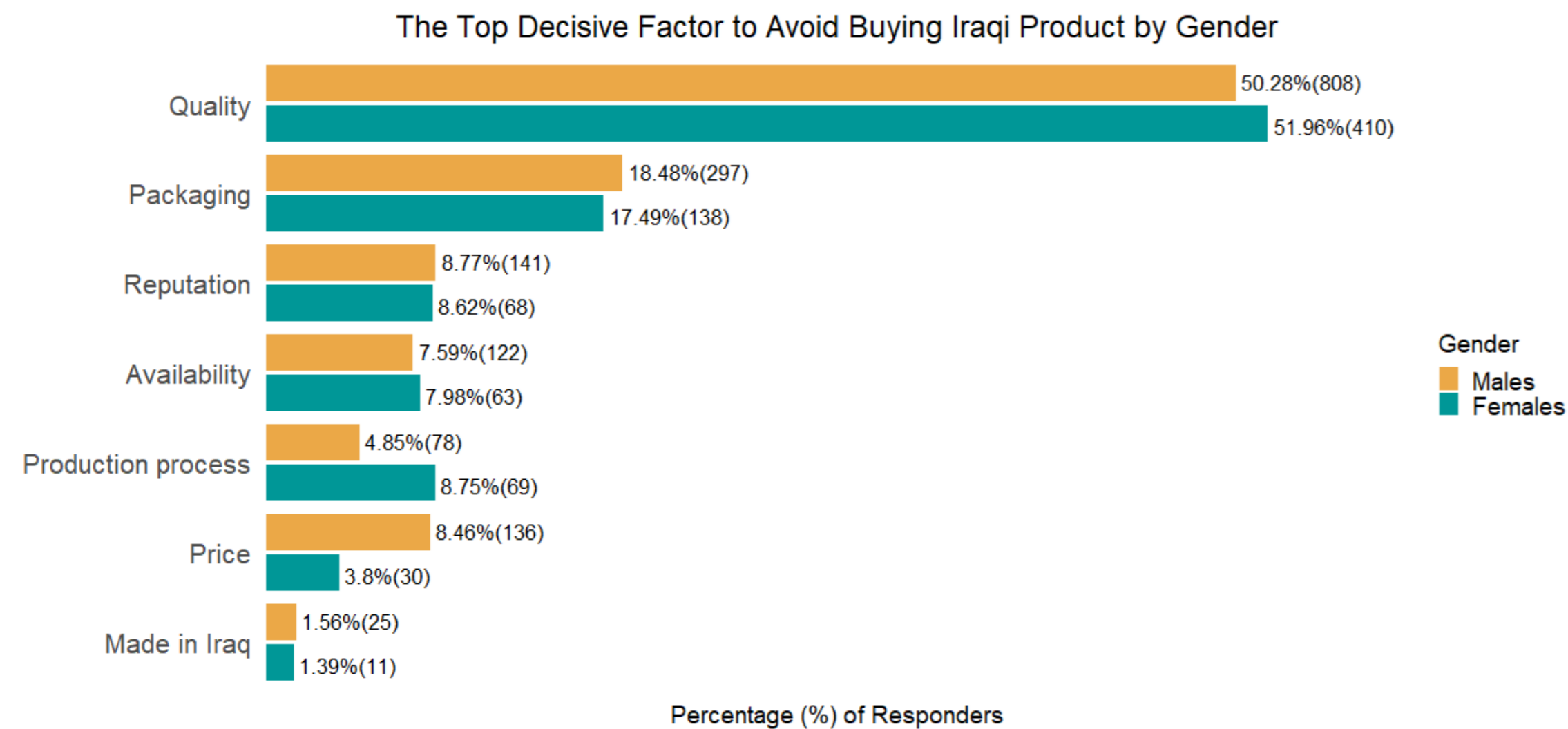
The results showed that 1224 (50.87%) participants chose quality as the main factor that made them avoid buying Iraqi products and followed by packaging with a total of 435 (18.08%) participants. What is interesting to observe is that only 1.5% of the participants chose the fact that the product is made in Iraq as a key role factor, and only 6.94% chose price which ranked as 5th among other factors. The full order can be seen in the graph below.



# Discouraging Factors for Purchasing Iraqi Products - Subgroup Results

When doing the analysis on different genders, we can see that quality was a more priority in females than in males with a total of 51.96% and 50.28%, respectively. Additionally, it is observed that males saw price as a bigger factor to avoid buying Iraqi products than females with percentages of 8.46% and 3.8% respectively. While females considered the production process as a bigger factor than the male did with percentages of 8.75% and 4.85% respectively.

Another grouping factor that was taken into consideration was the location of participants. The results showed that participants from Baghdad see quality as a more hindering factor to buy Iraqi products than the participants from other cities with a percentage of 51.66% and 50.23%, respectively. The same observation is noted on packaging where 19.52% of the participants from Baghdad saw it as a factor to avoid Iraqi products while 16.89% of the participants from different cities saw the same. A worth mentioning distinction is found between location when it comes to price and reputation. Participants from cities other than Baghdad took price as a more important factor to avoid buying Iraqi products with a total of 7.95% and 5.71%, respectively. Likewise, for the reputation, 9.32% of the participants living outside Baghdad found it as the most important factor to avoid buying Iraqi products and 8.01% of the participants living in Baghdad saw the same.



# Iraqi Products vs Imported Products

So as to have comparable groups of Iraqi products and imported products, the research sample answered similar questions for both groups. The key differences and similarities between the two groups will be shown in this section.

It has been found that people chose the packaging factor to avoid buying products when it comes to Iraqi products more than they chose it for other products. When asked about whether product packaging was the most important factor to avoid buying products in general, 11.93% said that it was, while 18.08% of the same people said the packaging was the most important factor to avoid buying Iraqi products. Thus, Iraqi producers should take into consideration the packaging process more carefully.

At the same time, people found that the low availability of products and bad reputations is more important in Iraqi products compared to imported products. It is also worth mentioning that the high price of Iraqi products was the main concern for only 6.94% of the sample while it was 11.6% for imported products. This shows that people are actually willing to pay more for Iraqi products if they have good quality, good packaging, and a good reputation.

Another interesting observation is that 10.68% of people found that the country of production is an important factor in avoiding buying products in general but only 0.83% of the people said so when it came to Iraqi products. This shows that people are actually ready to encourage Iraqi products and they find the product being Iraqi is the least factor that may cause them not to buy a product. Moreover, regardless of country of production, the quality was the largest factor affecting the purchase of a product, yet people were less picky about the quality of Iraqi products as 50.87% of people ranked it as the first factor, and 53.24% of people did the same for imported products.

Another interesting remark noted was the subanalysis of decisive factors to buy products by gender. The order changed between the most decisive factors, which were agreed upon between Iraqi and foreign products. For foreign products, they were quality, price, and country of production, in that order. For Iraqi products, they were “Made in Iraq”, quality and price, in that order. Females cared for quality when addressing foreign products but did not care as much when it came to Iraqi products. This could mean that the “Made in Iraq” campaign affected women more than it did males, as further analytical tests showed a significant difference in the relationship between females and the “Made in Iraq” factor. They felt passionately for Iraqi manufacturing and Iraqi business, and for some products they might allow for a margin of error to happen. That theory is only enabled because females cared half as much as men did for the price they need to pay for Iraqi products, indicating a willingness to invest. This is further supported with additional statistical tests that showed male respondents caring for the price when purchasing Iraqi products.

# Conclusion & Recommendation

The research was conducted to bring a better understanding of Iraqi consumers following the supportive campaign for local Iraqi products. Overall, it was found that consumers are willing to support Iraqi products even at the expense of other important factors such as product quality, and product price.

Having said this, producers should pay more attention to the Iraqi products' packaging. Packaging came as the second most important factor that discouraged people from buying Iraqi products. This is an indication for producers that Iraqi consumers are not satisfied with the current packaging of the local products.

Along with the packaging, producers should also pay special attention to the availability of their products. People did not care about the availability of imported products, as matter of fact, availability ranked the last factor in avoiding purchasing products, however, this was not the case with the Iraqi products. The availability of Iraqi products ranked as the fourth most important factor in discouraging people from purchasing Iraqi products. This shows that Iraqis are suffering from the consistency in which the producers launch their products to the markets. This is very important as it helps build the needed trust for the Iraqi products.

Another worth mentioning distinction between the Iraqi products and the imported products is the product's reputation. Iraqis find that the product reputation is more vital for Iraqi products than it is for imported products. According to the answers, people chose reputation as the third important factor that makes them avoid buying Iraqi products while the same people chose ranked reputation as the fifth when it comes to imported products. In fact, this is connected to products' availability, as it is one factor that helps building reputation and brand image. Thus, producers should have in mind ways to spike up the products' reputation for them to be competitive with the imported products.

With that said, producers are highly encouraged to do market research to better understand the Iraqi consumers as there exists differences between consumers based on the location of residence, gender, and consumer's age. For instance, females were found to be more affected by the campaign than males were, and, to a lesser degree, younger consumers and consumers residing in Baghdad. Additionally, It appeared that people residing in Baghdad cared more about product quality and product packaging while people residing in other cities were concerned more about product price and product country of production. Similarly, it was shown that males were concerned more about product price while females were more focused on product quality and the fact that the product is made in Iraq.

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