

TALLINN UNIVERSITY OF TECHNOLOGY

School of Business and Governance

Department of Business Administration

Dmytro Pavlenko

**CONSUMER'S PERCEPTION OF FOOD PRODUCTS WITH
UKRAINIAN COUNTRY-OF-ORIGIN**

Bachelor's thesis

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Supervisor: Andrei Špiljov, MA

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Dmytro Pavlenko

(signature, date)

Student code: 156050TVTB

Student e-mail address: dmytro.pavlenko@hotmail.com

Supervisor Andrei Špiljov, MA:

The paper conforms to requirements in force

.....

(signature, date)

Chairman of the Defence Committee:

Permitted to the defence

.....

(name, signature, date)

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ABSTRACT

This thesis aims to find out how aware EU consumers are of Ukrainian food products, what is their general perception of Ukrainian food products and how it may change with Ukraine going through the process of entering the EU.

In this thesis author reviews theory on topic of country-of-origin perceptions and factors that may influence its research. Information on Ukraine's agri-food market and Ukraine's trade with the EU has been gathered to overview how important is agri-food industry for Ukraine and how its trade with EU develops. To achieve research aims, author has distributed a questionnaire among Latvians, Lithuanians, Estonians and Finns through digital word of mouth and Facebook advertisement.

Results show that there is low awareness of Ukrainian products among the consumers, however, most of them have specific associations or beliefs related with such products, and thus have some perception of them. According to the research EU consumers tend to favor EU originated products over products originated in Ukraine, meanwhile products originated in Ukraine would be considered more favorable than set of products originated out of the EU. EU consumer's perception is and is expected to change in a positive way with Ukraine going through the process of entering the EU.

Key words: country-of-origin perceptions, agri-food industry, trade between the EU and Ukraine.

INTRODUCTION

Recently, Ukraine signed Association Agreement with EU, which became effective 1st September 2017. This agreement has already introduced reduction and simplification of barriers for Ukrainian companies to enter the EU market. Quotas have been increased for various product categories and for some they were eliminated. This agreement is believed to stimulate trade growth between two parties. As European Commission reports, total trade between Ukraine and EU has increased by 27.1 percent when compared timespans of January to August 2016 versus the same period in 2017 (European Commission Trade Policy Ukraine Overview 2017). It is clear that as Ukraine moves towards integration with EU more and more barriers will be removed.

Agri-food sector is one of the strongest industries in Ukraine generating 12 percent of the country's GDP (Ukraine Country Commercial Guide 2017). With 41,5 million hectares of agricultural land and still developing technology, this sector is expected to grow, as it has been for the past 10 years (FAOSTAT... 2017). Even though raw materials are now the largest Ukraine's export to EU, with technological development exports of processed food products are projected to grow as well.

While government barriers are being simplified by the Association Agreement, there is no research done on natural barriers and how they are influenced by the agreement. An example of a natural barrier could be European consumer's negative perception of products with Ukrainian country-of-origin. Thus, topic and research of the thesis have been developed to address such a problem: there is no research done on how products originated in Ukraine are perceived by EU consumers after the country signed the Association Agreement with the EU, which makes it harder for businesses to be aware of all the barriers to entry to stay competitive in the market.

The aim of this thesis is to find out how EU consumers perceive food products with Ukrainian country-of-origin and if their perception may change with Ukraine going through the process of entering the EU. There are three research questions formulated based on the research aims:

Q1: Are consumers aware of the existence of food products with Ukrainian country-of-origin on their market?

Q2: How are products with Ukrainian country-of-origin perceived by EU consumers?

Q3: Is EU consumers' perception of products with Ukrainian country-of-origin changing with Ukraine going through the process of entering the EU?

This thesis' tasks are to research if consumers are aware of Ukrainian food products that they can purchase on their market. This task is important as in case consumers are unaware or had no experience with Ukrainian products, the country image "file" may be empty, meaning they would have no perceptions of its products (Min Han 1990). The second task is to find out consumers' perception of products with Ukrainian country-of-origin. And third, to research if their perception may be changing as Ukraine goes through the process of entering the EU.

To answer the formulated research question, quantitative research method has been used. A survey was distributed among Latvian, Lithuanian, Estonian and Finnish retail consumers. These countries were chosen for the research as they are located in Northern Europe. Agriculture is not so important for this region, and thus results in higher percentage of imports compared with Eastern and Western Europe (Understanding the EU common agricultural policy 2014). To randomize the sample, most of the respondents were found through an advertisement campaign created on Facebook and had no targeting limitations except for country of distribution.

Thesis itself consists of three chapters. The first chapter provides an overview of the theoretical background of this thesis and defines the theoretical concepts used. The second chapter presents information gathered on Ukraine's agri-food industry and Ukraine's trade with the EU. And the third chapter describes research methods used, presents outcomes of the research and analysis of the results, as well as discusses them.

1. THE THEORETICAL BACKGROUND OF CONSUMER'S COUNTRY-OF-ORIGIN PERCEPTION OF A PRODUCT

In this chapter, author provides an overview of the theoretical background of the thesis to establish understanding on what concepts were considered and used when conducting the research. Based on these theory overview author will develop thesis research.

1.1. Concept of consumer's country-of-origin perceptions

The main theoretical concept of this paper is country-of-origin perceptions, and it is defined as “the mental associations and beliefs triggered by a country” (Kotler, Keller 2012, 614). These association and beliefs may be both negative and positive. As a result, consumers are often willing to pay more for a product from a more favorable country, in which case, country-of-origin may be used as a strong marketing tool in favor of the product. (Koschate-Fischer *et al.* 2012)

On the other hand, when product triggers negative associations or beliefs, it may become a disadvantage and negatively influence product's sales. There is a positive relation of product's country-of-origin and consumer's willingness to pay. The more favorable country-of-origin is, the more likely consumers are to pay premium and vice versa, the less favorable product's country-of-origin is the less likely consumers are to pay premium. (Koschate-Fischer *et al.* 2012)

Moreover, country-of-origin is one of the characteristics that takes part in forming customers' perception of product's quality (Bilkey, Nes 1982). Quality of the product may be seen as one of the most important factors which is considered by a consumer before purchase, thus it has direct influence on his purchase decision.

However, quality is not the only characteristic that can be associated with a product based on its origin, for instance, to name a few: aesthetics, conformance, durability, performance and reliability. All these qualities associated with the product help consumer to form his point of view on it and form a purchase decision based on this information. (Aichner 2014)

Min Han (1990) has named country image as a “file” that gathers, analyses and stores all of the experiences consumer has had with products from this country, to be used once he is evaluating a certain brand or product from that country. This often results in consumers being more likely to favor products from countries familiar to them, as they already have developed a certain opinion on them. By familiarizing with country’s products, consumer develops a more accurate country image (Min Han 1990).

Stereotypes and thus perceptions of a product may vary within a culture. In case we consider European culture as one, it is likely that consumers from one European country may have positive attitude towards products with certain country-of-origin, while consumers of another European country may have negative perception of the same type of products. (Stanciu *et al.* 2017)

The author will use country-of-origin perceptions theory described to answer the main question of the research: “How are products with Ukrainian country-of-origin perceived by EU consumers?”. Theory overview may help the research to find out how important is country-of-origin for the consumer, how does it affect his willingness to pay and if products with a certain country-of-origin are assigned to a set of countries.

1.2. Influence of country-of-origin dimensions on consumer’s purchase decision

It is important to understand that country-of-origin has it’s dimensions, which were formulated by Vianelli and Marzano (2012). For physical products those dimensions would be: country-of-design, country-of-assembly, country-of-parts, country-of-manufacture, country-of-brand. Table 1 below provides each country-of-otigin dimensions description.

Table 1. Country-of-origin dimensions

Dimension	Description
Country-Of-Design	The country where product was conceived and engineered
Country-Of-Assembly	The country where the majority of the product's final assembly took place
Country-Of-Parts	The country where the majority of the materials used in product come from and/or the components parts are made
Country-Of-Manufacture	The country where the product is manufactured
Country-Of-Brand	The country in which the brand name originated

Source: adopted from Vianelli and Morzano (2012)

Having all of these dimensions described in Table 1, it might be hard for consumer to identify country-of-origin of the product, having all of these dimensions. “A product can be designed in one country, assembled in another, however, be distributed under a brand of a third country.” (Vianelli and Morzano 2012)

It is important to know, which dimension consumer considers before purchase, as well as, how important each dimension is for him. The less important it is for the consumer, the less influence country-of-origin has on his decision to purchase. Moreover, if consumer does not consider a certain dimension, it may have little to no influence on how he perceives that product. (Aichner 2014)

Country-of-origin dimensions are used in the research for two reasons. First, to understand which of the dimensions are important for the respondents, and thus what kind of influence they have on their perception of the product. However, the main objective is to assist in measuring perception of products with certain country-of-origin. By understanding perception of Ukrainian food products by the consumer for each country-of-origin dimension, it is possible to determine how this perception influences these consumers’ purchase decision (Aichner 2014).

1.3. Effects of consumer’s unawareness of products with a certain country-of-origin

“Awareness of a product mainly develops with assistance of advertisement and other similar sources of information” (Hoyer, Brown 1990, 142). As perceptions are “mental associations and beliefs that person has when thinking of a product” (Kotler, Keller 2012, 614), in case where he does not have any experience with a product with certain country-of-origin, he may either have no perceptions of it or assign this product to a larger product category group and thus this product will inherit the associations of that product group. (Min Han 1990) For instance, if consumer has no awareness of a product from a certain country, he may create an image for set of countries. (Stanciu *et al.* 2017).

In case consumer creates an image for set of countries, for instance, for all the developing countries, it may result in negative influence on product’s perception. Continuing the example, research shows that products from developing countries are often not considered from small sets of consumer’s choice, thus companies may have to make additional effort or spend additional

funds to convince the consumer that this product should be considered. However, this can also mean that in other cases product may be assigned to a set of countries, which will influence products perception positively. (Stanciu *et al.* 2017).

Consumers are more likely to purchase a product they are familiar with, aware of. This is why, in general, consumers tend to prefer local or domestically produced products, as they are the most familiar with them, and such quality as “foreign” may often become a liability for a product. (Newman *et al.* 2014)

Consumer’s awareness of a product is used in this thesis to find out if consumers are aware of products with a certain country-of-origin and thus have perceptions of it. And whether consumers are unaware, to find out if they still have associations or beliefs of a product of that country-of-origin.

1.4. Common country-of-origin marketing strategies

To communicate product’s country-of-origin, companies can implement different strategies called country-of-origin strategies. Two types of such strategies are described by Aichner (2014), regulated – which is using symbols such as “made in ..” or “designed in ...” – and unregulated.

To start with, the EU has adopted the Food Information to Consumers (FIC) regulation 1169/2011 in order to harmonize labelling requirements at the EU-level for food products. With the aim was for consumers to easily identify where one or another food product was produced. Thus, to use regulated marketing strategy, product simply must be manufactured in the country that will be considered as more favorable by the consumer.

There is a variety of unregulated strategies, of which the main are (Aichner 2014):

- Country-of-origin or stereotypical words are embedded in the company name;
- Using country-of-origin language in company’s slogan or moto;
- Using famous or stereotypical people of the country-of-origin;
- Using country-of-origin’s flags and symbols;
- Using famous landscapes or architecture of the country-of-origin.

These strategies may be used separately as well as combined with each other to deliver the message of the product's country-of-origin. Most companies use the combination of marketing strategies. To utilize any of these strategies, it is important to make sure that consumer will understand the reference made by marketer. For instance, if marketer uses any of the listed strategies, he must ensure that consumers are aware of the associative items used in the strategy. (Aichner 2014)

As unregulated country-of-origin marketing strategies are not regulated in any way, producers may use them to assign their products to a certain country-of-origin country set. For instance, if product is produced in one country, however, is designed in another country, which is more favorable than the first one, company may market product as one originated in the country-of-design. (Aichner 2014)

Country-of-origin marketing strategies make it possible to raise awareness of products country-of-origin. (Aichner 2014) By doing so consumer will acknowledge experience with products of certain country of origin and will become more familiar with them, which may positively influence all of the products with this country-of-origin (Newman *et al.* 2014).

Country-of-origin marketing strategies will help the research to identify if consumers have associations and perceptions of a certain country-of-origin product. As well as to find out if consumers are aware of certain countries associative items.

1.5. Price influence on consumer's product perception

Price of the product may influence consumer's perception by two factors. First, it may serve as a quality cue. In case a product is more inexpensive than similar products on the market, it might arise doubts about its quality. However, if consumer is aware of product's country-of-origin and associates low price with a specific quality of such products, there might be no negative effect arising. (Agrawal, Kamakura 1999)

Second, country-of-origin may be irrelevant for products in low price category. As Cordell (1991) has formulated in his research, the higher the price of a product, the more likely consumers from industrialized countries prefer buying domestic product rather than similar foreign. This statement

may be reformulated in another way: the lower the price of the product category, the less likely consumer is to prefer buying domestic products rather than similar foreign. (Cordell 1991)

Similarly, Pharr (2005) has stated that when the price for the product is low, country-of-origin does not have significant effect on perception of product's quality, when compared to high priced product category. This means that if most of the country's products lay in a low-price category, the consumer may allocate less value to product's country-of-origin. Using price influence on consumer's product perception it is possible to identify if certain quality, for instance country-of-origin, is important for the consumer and if influences his purchase decision. (Pharr 2005)

Price as an influencer on consumer's perception of a product with certain country-of-origin is used by the Author to understand if consumer has certain expectations towards products with certain country-of-origin as well as if they see price as product's quality cue or as a positive quality of a product. Theory overviewed will also help the research to identify if country-of-origin is important for products.

2. UKRAINE'S AGRI-FOOD INDUSTRY AND ITS TRADE WITH THE EU

This chapter aims to give an overview of the importance of agri-food industry for Ukraine and the EU, general state of trade between Ukraine and the EU, changes in trade after signing the Association Agreement, and future predicted trade development. As Estonia, Latvia, Lithuania and Finland, citizens and residents of which are targeted in the research, are part of the European Union, changes and specifics in trade agreements with the EU will be relevant to them.

2.1 Agri-food industry of Ukraine and the EU

As processed food products are part of agricultural industry, it is necessary to understand how important this industry is to both parties. Historically, Ukraine has always had a strong agricultural sector due to agricultural land covering most of the country, 70 percent of total land, and totaling in 41.5 million hectares.

During the time Ukraine was part of the USSR, it was named as “The Bread Basket of USSR”. Nowadays, it is still considered as the most prominent and developing industry in Ukraine, and it has already been mentioned in several publications that Ukraine is becoming “The Bread Basket of Europe” (Investinukraine.net; Business Insider).

When comparing the amount of exports by industry, agriculture comes first generating 12 percent of the country's GDP, in addition, combined agriculture and forestry employs every fourth citizen. Such indicators show the agriculture is a vital influencer of Ukraine's economy and thus on its welfare. (Faostat ... 2017)

Currently, agricultural raw materials are the main export to the EU. However, it is believed that this sector is still underdeveloped in terms of technology. The development of technology leads to increase in production of processed products, including branded food products (Saiko 1995). It is important to mention that the EU is the main importer of agricultural technology and machinery to Ukraine, of which about 50 percent is imported from Germany (Ukraine Country Commercial Guide 2017).

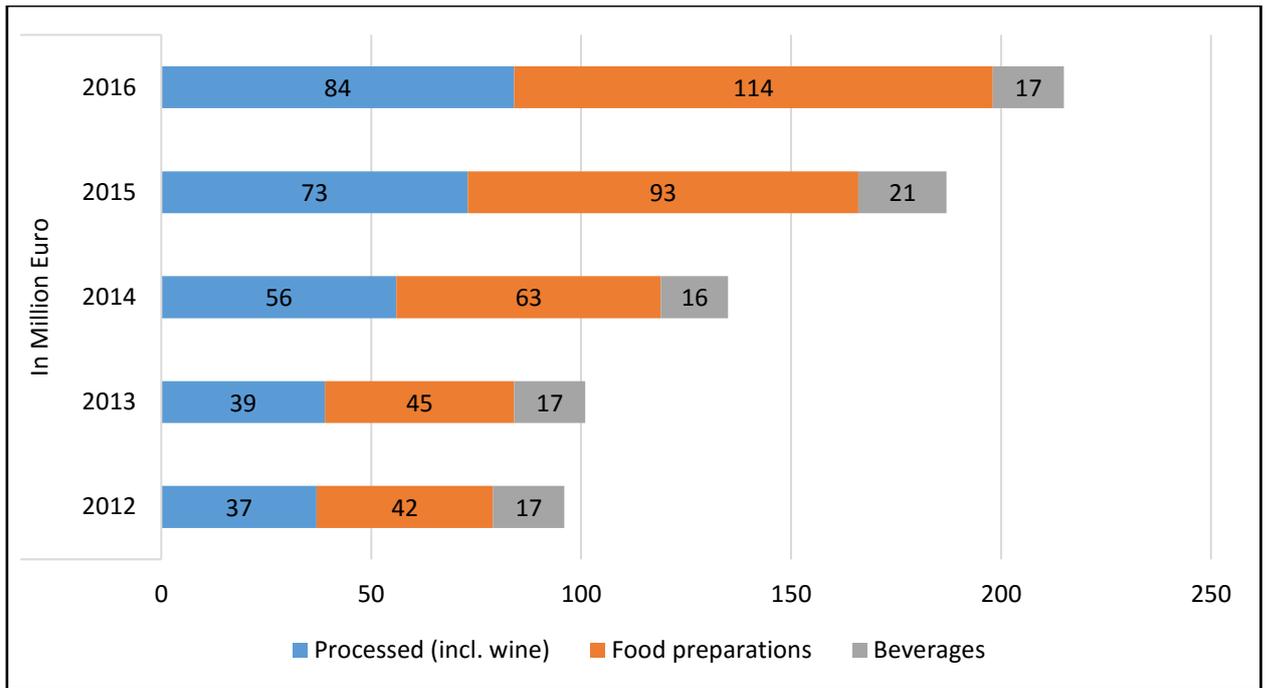


Figure 1. Evolution of the imports of processed agri-food products, food preparations and beverages from Ukraine by the EU

Source: Agri-Food Trade Statistical Factsheet (2017)

As it is seen from Figure 1, the import of processed products, food preparations and beverages has been increasing since 2012. This tendency is expected to continue as main drivers of the import increase are technological development and political shift of Ukraine towards integration with the EU.

The agricultural industry of the EU is small compared to other sectors of the economy, being accountable for less than 2 percent of the union's GDP and roughly 5 percent of the employment. However, the EU comes as the second largest agricultural exporter in the world and imports the world's largest amounts of agricultural products. This industry is the most important for Eastern and Southern Europe, while less important for Central and Northern Europe. (Understanding the EU common agricultural policy 2014)

As it is believed that agriculture still is the key to sustainable financial development of the EU, that is why a common agricultural policy (CAP) has been applied in the EU. CAP is aiming to help farmers with income support and market measures and to also ensure sustainable rural development according to specific needs of each member state. Such policy makes EU products

competitive within its own market as well as an exporting good, as CAP heavily subsidizes the industry. (CAP at a glance 2017)

2.2 Overview of the Ukraine's agri-food trade with the EU

Since the USSR collapsed, Russia has been the main strategical partner for Ukraine as all of its production has been designed for that market. For a long time it has been believed that economies of these countries are almost inseparable (Dunnet 2015). However, after the Orange Revolution in Ukraine, it has been clear that Ukrainians were expecting a political shift of the country towards the EU, which required Ukraine to work on opening up its economy to that region (Wolczuk 2005).

After Ukraine went through its second pro-European revolution in 2014, caused by its leader's refusal to sign the Association Agreement on November 1st 2013, the EU has made a big step towards supporting Ukraine's economy at the time by providing the country autonomous trade preferences (ATP), which have laid the ground to further sign the Association Agreement. Autonomous trade preferences (ATP) was aimed to boost the economic development of Ukraine by opening up the EU's markets to certain Ukraine's industries, including agriculture (Autonomous trade preferences: Impact on Ukrainian exports 2015).

As part of the Association Agreement, the EU and Ukraine have signed the Deep and Comprehensive Free Trade Area (DCFTA) on 27 June 2014, which became effective only in September 2017. These agreements resulted in the EU currently being the largest source of the direct investments for Ukraine, as well as the EU is becoming accountable for the third of Ukraine's total trade. One of the most exported Ukraine's goods to the EU are agri-food products. (Ukraine-EU trade and economic cooperation 2017)

Signing the Association Agreement and provided autonomous trade preferences (ATP) in 2014 has resulted in substantial influence on agri-food trade of the parties. The EU's agri-food imports have turned from its declining tendency due to the political crisis, and resulted in growth of 4 percent in 2014 and stable 2 percent growth in the two following years. Trade growth is expected to continue with Ukraine's further integration with the EU. (Agri-Food Trade Statistical Factsheet 2017)

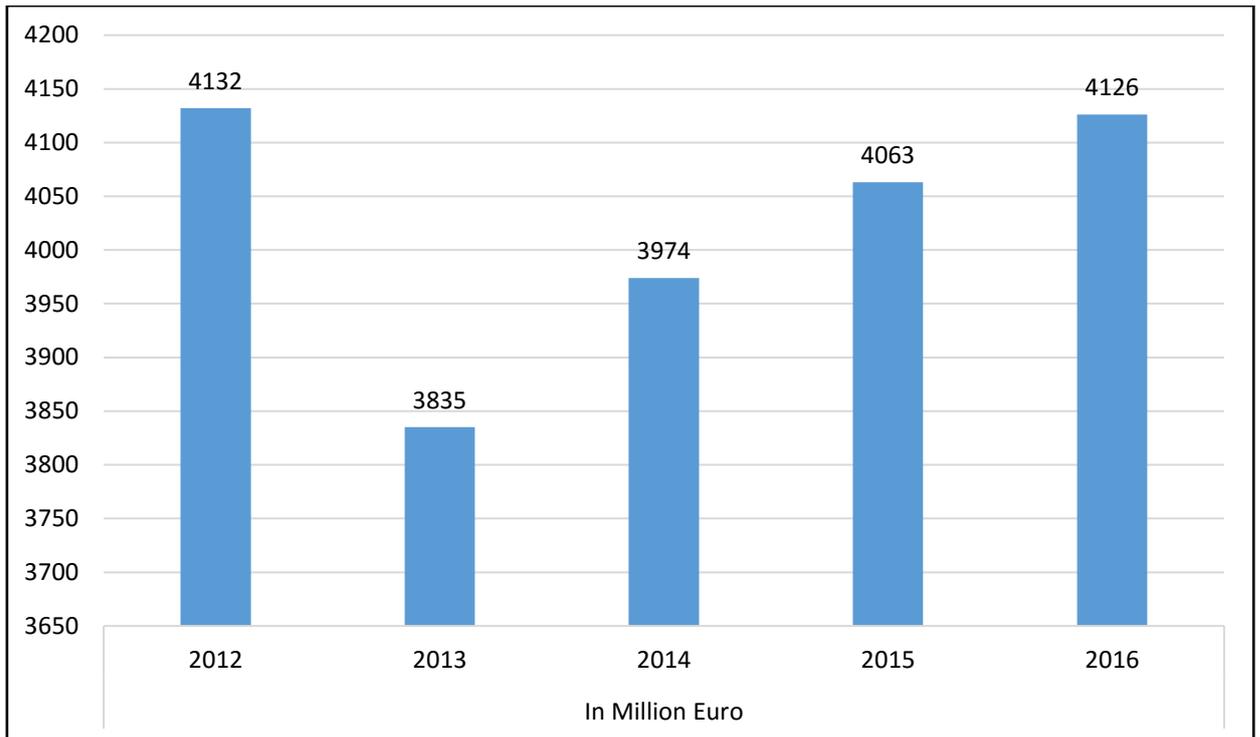


Figure 2. Evolution of the EU agri-food imports from Ukraine

Source: Agri-Food Trade Statistical Factsheet (2017)

Figure 2 illustrates how imports of the EU from Ukraine were affected by the political crisis in 2013 to 2014 and how positive tendency has been followed by the ATP and Association Agreement. Due to the lack of statistics for years 2017 and 2018, it is not visible if trade among the parties has been recovered to the pre-crisis levels, however, developments in Ukraine’s integration with the EU should have at least kept the positive imports growth for these years, because of relations among the Union and Ukraine have strengthening and Association Agreement being enforced.

3. MEASURING CUSTOMER’S PERCEPTION OF THE PRODUCTS WITH UKRAINIAN COUNTRY-OF-ORIGIN

This chapter describes how the research has been conducted and which research methods have been used. It also presents outcomes of the research, analysis of the results and their discussion.

3.1. Aim and methodology of the research

The aim of this thesis is to find out how EU consumers perceive food products with Ukrainian country-of-origin and if their perception may change with Ukraine going through the process of entering the EU. There are three research questions formulated based on the research aims:

Q1: “Are consumers aware of existence of food products with Ukrainian country-of-origin in their market?”

Q2: “How are products with Ukrainian country-of-origin perceived by EU consumers?”

Q3: “Is EU consumers’ perception of products with Ukrainian country-of-origin changing with Ukraine going through the process of entering the EU?”

The tasks of this thesis are to research if consumers are aware of the Ukrainian food products they can purchase on their markets, to find out consumers’ perception of products with Ukrainian country-of-origin, and to research if their perception may be changing as Ukraine goes through the process of entering the EU. These tasks were developed based on research questions and relevant literature reviewed.

This research uses quantitative research method to answer the research questions. A questionnaire was created using “Google Forms” software to answer formulated research questions. To collect responses, this questionnaire has been distributed through both digital word of mouth and the Facebook ads promotion campaign.

Facebook ads campaign gained 73 out of the total 114 responses collected. Total budget of the campaign was 57 USD. To reach as random sample as possible only one advertising criterion was set up – the country of advertising. The ad was displayed in four countries: Lithuania, Latvia, Estonia and Finland. Ad preview may be seen in the Appendix 1.

Responses were collected in two timespans from April 20 to April 22 and from May 7 to May 12. The total reach, unique users who saw the advertisement at least once, was 26,328 people, out of which 231 became unique clicks and total 73 persons filled in the survey. Payment method was PPC (pay per click), each click costed on average 24 US Cents. Overall conversion rate was 32 percent.

Sample for this research has been defined as Latvian, Lithuanian, Estonian and Finnish consumers. These countries were chosen for the research as they are located in Northern Europe. Agriculture is not so important for this region, and thus results in higher percentage of imports compared with Eastern and Western Europe (Understanding the EU common agricultural policy 2014).

Opening words of the questionnaire provide overview of the research topic and eliminate respondents who were citizens or permanent residents of other countries than mentioned. This paper defines Latvian, Lithuanian, Estonian and Finnish consumers as both citizens and permanent residents of these countries.

The general structure of the survey may be divided in six parts with the following titles:

- Greetings;
- General attitude to products with international country-of-origin;
- General food products purchase behaviour;
- Ukrainian products in your country;
- Ukrainian products after Ukraine's possible integration with EU;
- Gratitude and email collection.

Where necessary respondents were provided with relevant definitions of the theoretical concepts, for instance country-of-origin dimensions, to make sure that both author and respondents were understanding them in the same way. Also respondents were provided information regarding an event if needed, for instance the date and aims of the Association Agreement.

Research analysis has been structured according to research tasks to, first, find out how important is country-of-origin to the researched sample. Second, measure consumers' awareness of existence of products with Ukrainian country-of-origin and find out if consumers have any perceptions of

such products. Third, to evaluate consumer's current perceptions towards products with Ukrainian country-of-origin. And last, to find out if consumers have experienced any changes after the Association Agreement was signed and may these perceptions change if Ukraine will enter the EU.

3.2 Research results and analysis

This chapter will analyze and present outcomes of the conducted research. In total, questionnaire received 114 responses, of which 109 were fitting the target audience of the research. Only responses fitting the target group were analyzed.

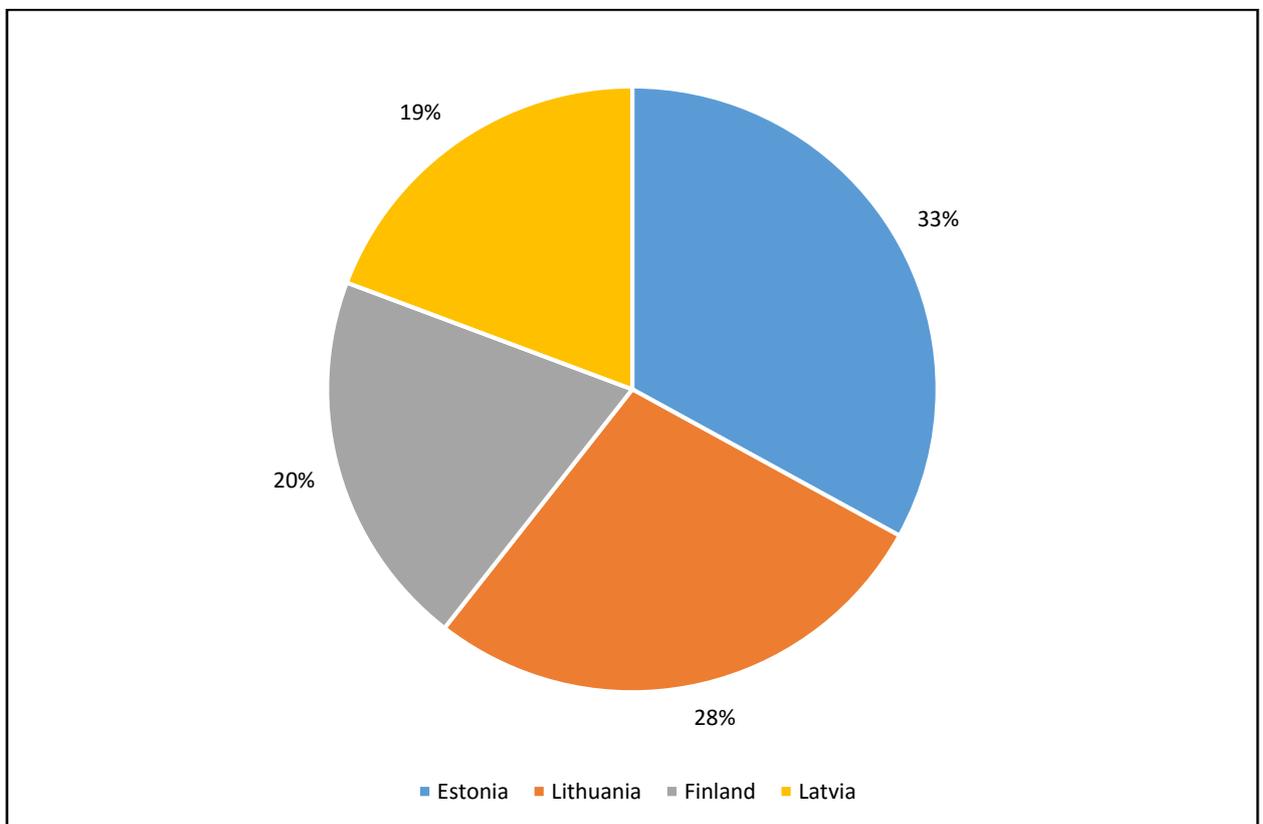


Figure 3. Distribution of responses by country.

Source: Author's research.

Figure 3 illustrates that the majority of responses have come from Estonia - 33 percent, and the least amount of responses were collected in Latvia – 19 percent. Finland and Lithuania received 20 and 28 percent accordingly.

Research shows that 54 percent of all respondents were aware of the Ukrainian products present on their market. To understand if respondents, who are not aware, have some perception of Ukrainian products, author divided respondents into two groups: those who are aware (54 percent) and those who are unaware (46 percent) and compared their responses based on a series of questions aiming to find out if respondents had any associations of beliefs regarding products with Ukrainian country-of-origin. First question directly asked respondents what qualities they associated with products with Ukrainian country-of-origin and second asked about their associations with products that have Ukrainian flag on their packaging.

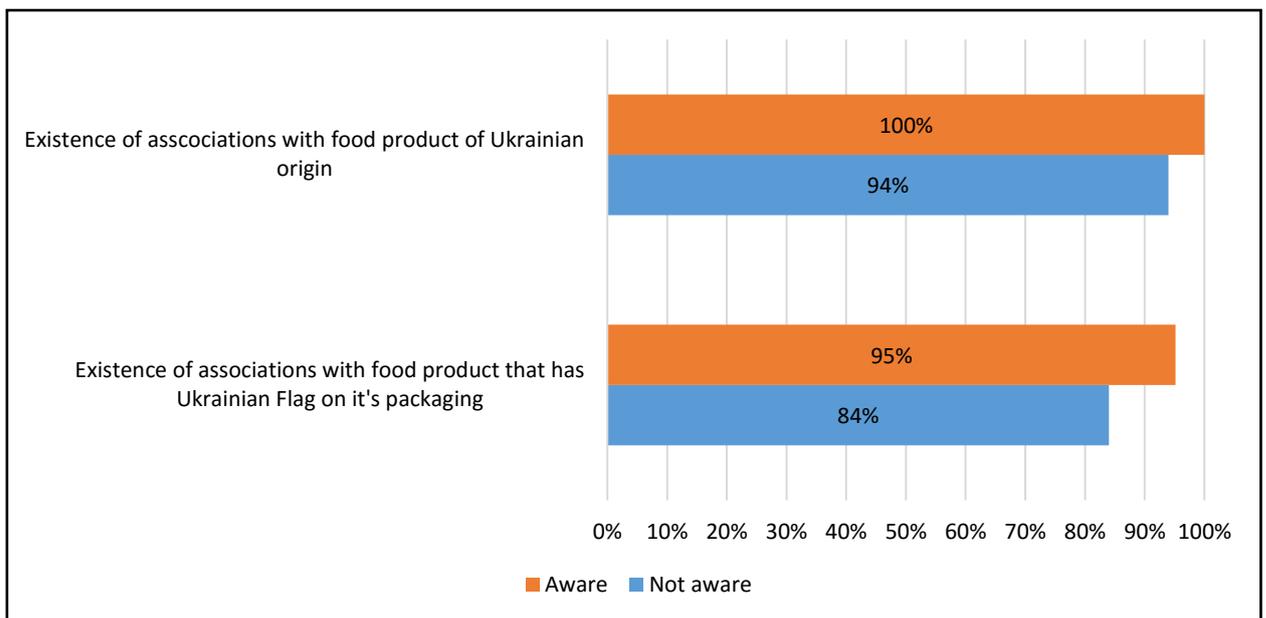


Figure 4. Existence of associations with products with Ukrainian country-of-origin.

Source: Author's research.

As seen on Figure 4, there is a minor difference in existence of associations with Ukrainian products. 94 percent of respondents who were unaware of existence of products with Ukrainian country-of-origin, still have some kind of associations towards such products.

Consumers were also asked to identify which items of landscape, which artists and which architecture do they associate with Ukraine. The main aim of such questions was to find out how much are they aware of items that may be associated with Ukraine and thus if unregulated country-of-origin marketing strategy may be used in this market. Almost all of the consumer had awareness of Ukrainian landscape, 98 percent, while only 62 and 47 percent were aware of Ukrainian architecture and artists.

Research analyzed the importance of perception for respondents to understand how strongly it affects their purchase decision. As well as tried to find out if Ukrainian products belong to the category of products for which country-of-origin is important.

According to the research most of the respondents, 74 percent, consider country-of-origin when making their purchase decision for food products. And 70 percent of respondents were ready to pay premium for products with a more favorable country-of-origin. These results showed that country-of-origin was being considered by most of the respondents and may be considered as a competitive advantage.

About 40 percent of respondents think that the price of the product influences the importance of its country-of-origin, when 60 percent thought that cost did not influence the importance. A question requiring respondents to identify, which price ranges were important for them the most, was asked. To analyze results of this question two groups of respondents were created and compared: those who thought that cost did not influence the importance of country-of-origin for a food product and those who thought it did.

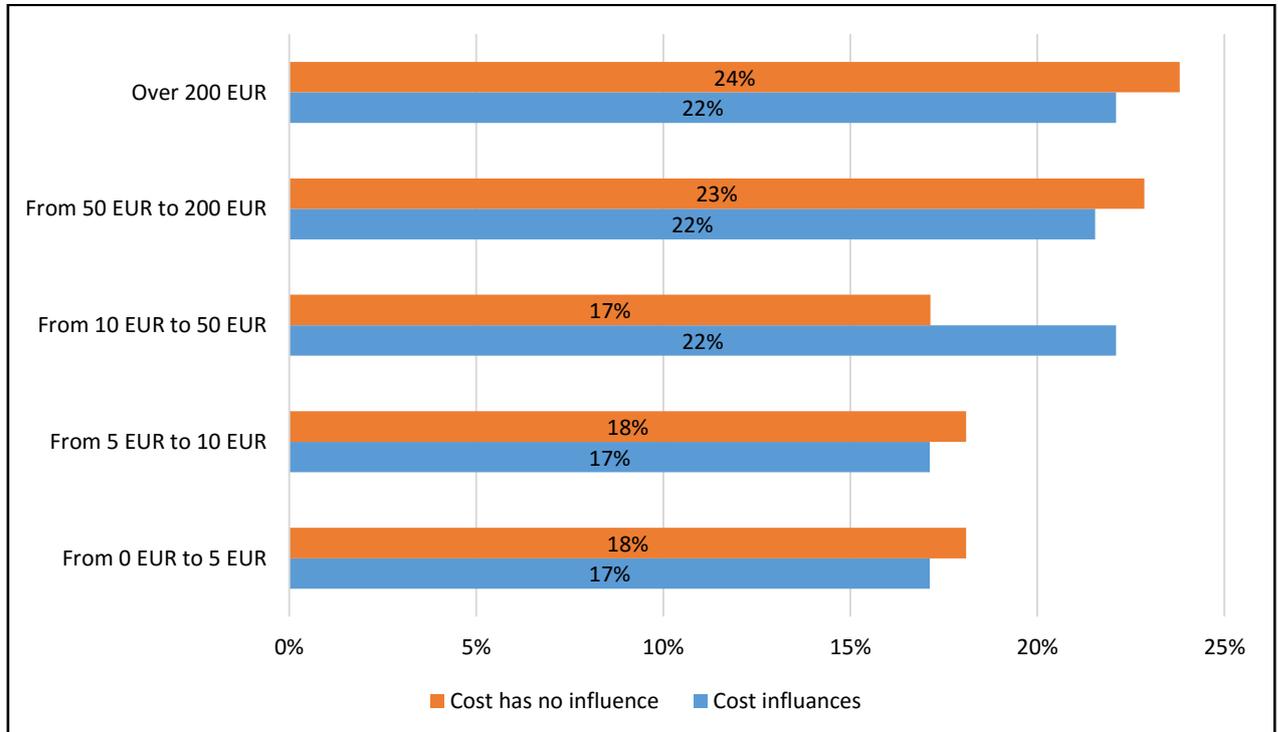


Figure 5. Importance of country-of-origin for each price category for respondents who consider cost as an influencer on importance of country-of-origin and those who do not.

Source: Author's research.

Figure 5 illustrates that both consumers who considered cost as an influencer of importance of country-of-origin and those who did not have allocated their responses similarly, giving less importance to price category “From 0 EUR to 5 EUR” and the more importance to category “Over 200 EUR”.

Consumers were also asked to categorize the majority of products with Ukrainian country-of-origin to certain price ranges. Respondents have allocated 92 percent of the products with Ukrainian country-of-origin to a price range “0 EUR to 10 EUR”, while remaining 8 percent of respondents have chosen the price range “10 EUR to 50 EUR”. This indicates that most consumers allocate food products with Ukrainian country-of-origin products to the price range, which is considered to be less influential to the importance of country-of-origin than others, however, as deviation between importance of price ranges is minor it may be considered that there is no influence of price on importance of country-of-origin.

To measure how consumers actually perceive Ukrainian products three approaches were used. First, based on the concepts of theory that consumers are willing to pay premium for more favorable products. Second, through direct questions that asked, which kind of associations consumer has with Ukrainian products and later those associations were classified as negative or positive perceptions. And third, asking respondents to identify their favorability of the product compared to the EU originated products, domestic products and products originated out of the EU.

Only 10 percent of respondents have replied that they might pay premium for Ukrainian products, while 51 percent was not likely to. Remaining 39 percent had replied neutrally - “Maybe”. Another question was asked to find out if consumers thought that Ukrainian products should cost less than the EU originated products only because of its country-of-origin, to which 25 percent replied “Yes” and 39 percent “No”, remaining 36 percent were undecided.

A group of consumers who think that products with Ukrainian country-of-origin must cost less has been separated to analyse their willingness to pay premium for such products. To understand if favouring EU originated products correlates anyhow with favouring products with Ukrainian country-of-origin.

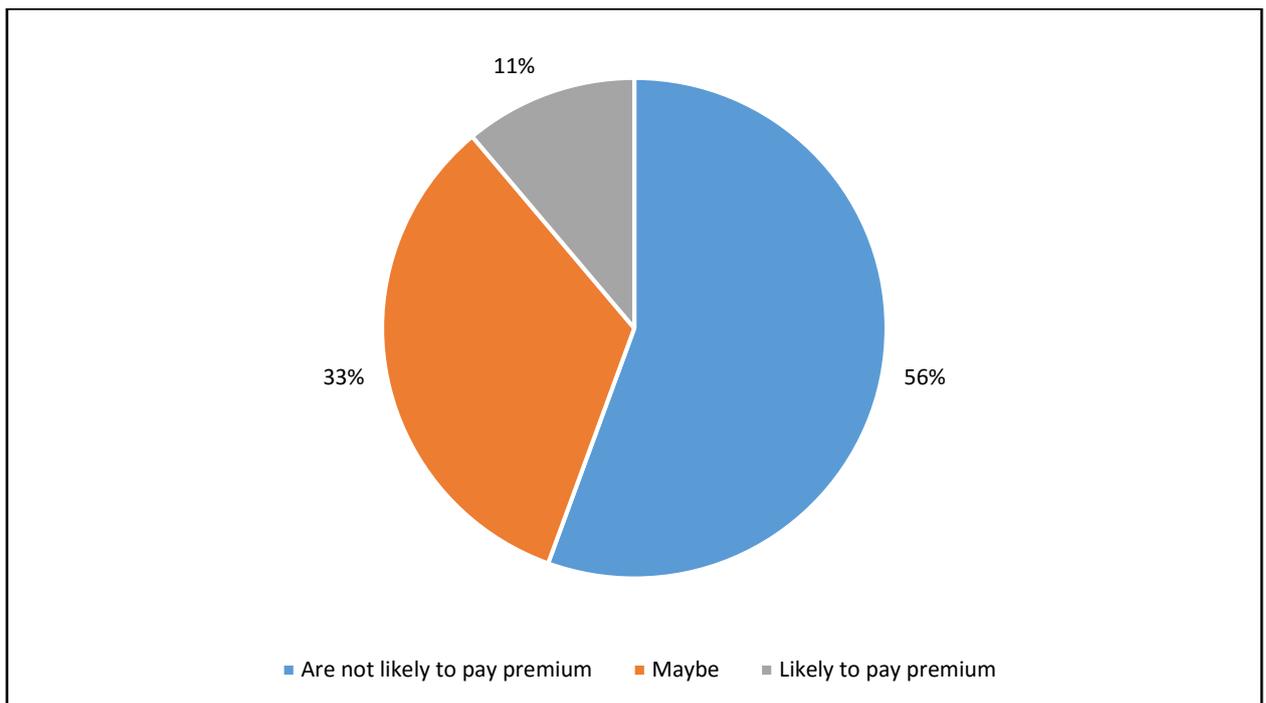


Figure 6. Willingness to pay premium for products with Ukrainian country-of-origin.

Source: Author’s research.

Figure 6 illustrates how respondents who believed that Ukrainian products must cost less than the EU originated products were likely to pay premium for Ukrainian products. It might be seen that the distribution of answers is similar to the one of total number of respondents. This might indicate that respondents value the EU originated products more, however it is not clear how they favored products originated in Ukraine compared to products originated out of the EU.

There were two questions that determined consumer’s associations and favorability of food products originated in Ukraine. First, it was asked, which qualities they assigned to Ukrainian food products in general. Second, which qualities they assigned to a food product, which contains an element of common country-of-origin strategy – Ukrainian flag.

As these questions were either open-ended or multiple options, analyzing all responses were categorized to “Positive”, “Negative” and “No association”. The price of the product is seen as “Positive” in case products are considered inexpensive and negative in case they are considered expensive.

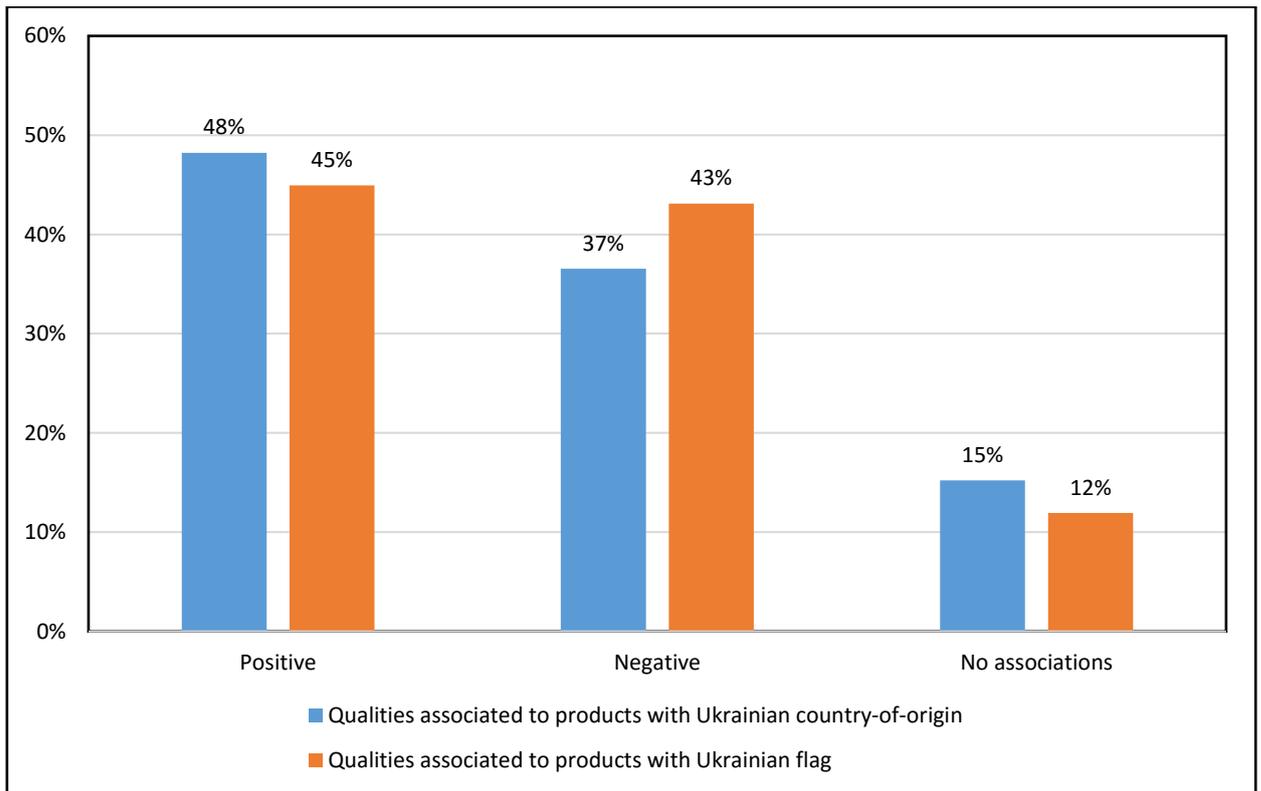


Figure 6. Qualities associated with products with Ukrainian country-of-origin.

Source: Author's research.

It is seen on Figure 6 that there has been more negative associations with Ukrainian products when a common marketing strategy has been used. This has been caused for the reason that when people were asked to identify association with food products that contained Ukrainian flag on the packaging, there were more answers concerning not quality of the product but process of its preparation, for instance "Bad worker conditions". However, the amount of positive and negative associations that respondents had was very close to equal.

Last approach measured consumers' current perception of food products with Ukrainian country-of-origin. First, consumers were asked to identify the importance of each country-of-origin dimensions. And after, the favorability of Ukrainian products for each country-of-origin dimension was collected. Which was followed by weighted average calculation.

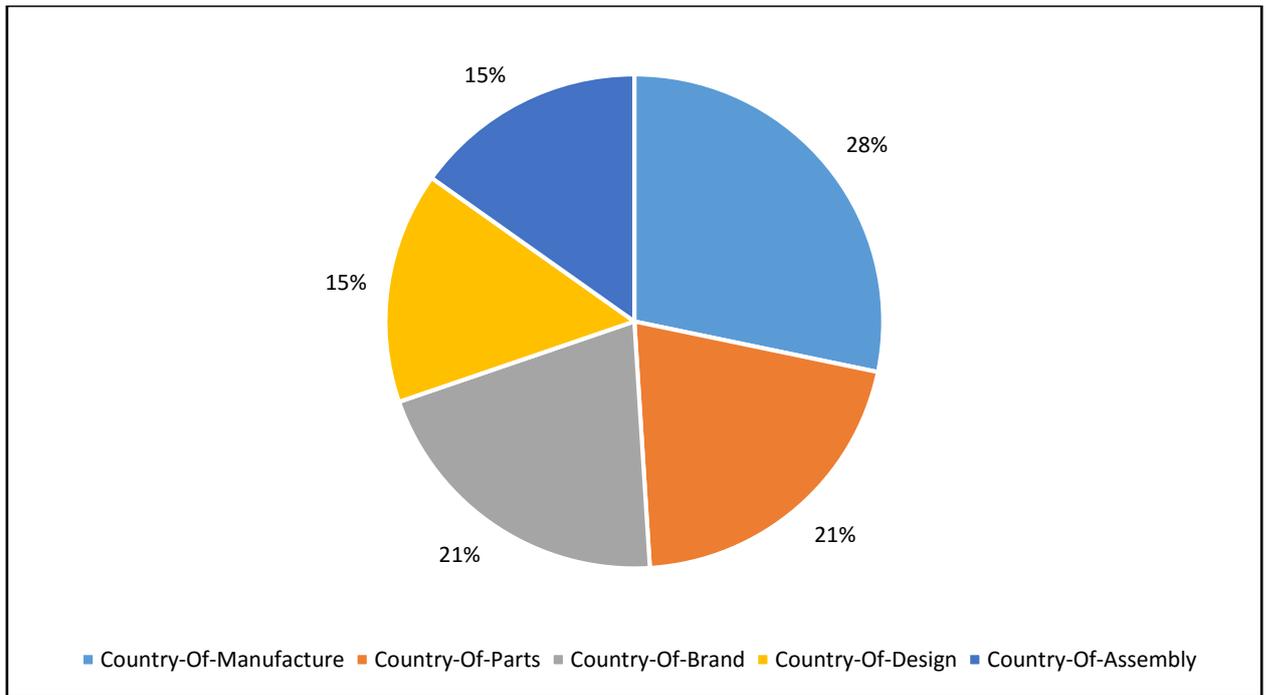


Figure 8. Importance of each country-of-origin dimension.

Source: Author's research.

As it is seen from Figure 8 country-of-manufacture is the most important dimension for the respondents receiving 28 percent of responses, while country-of-assembly and country-of-design is the least important only accounting for 15 percent of responses each. Country-of-brand and country-of-parts are at the same importance level and equal to 21 percent.

Most likely consumers perceive country-of-manufacture the most important dimension for the reason that is regulated by the EU regulations. As country-of-manufacture is where the products was actually produced, made in, it is regulated by Food Information to Consumers (FIC) regulation.

Liker scale question was asked requiring consumers to identify how favorable would a product be if he had each of country-of-origin dimensions as Ukrainian compared to products that have these dimension as EU originated, domestically and out of EU originated. To allocate favorability score to a dimension each Likert scale item is valued at different amount of points, as indicated in the Table 2.

Table 2. Points allocated to each Likert scale item.

Likert Scale Item	Points
Less favorable than any other products	1 point
Less favorable than other EU products	2 points
Less favorable than other local products	3 points
This dimension does not matter/ As favorable as all other non-EU products	4 points
As favorable as EU products	5 points
As favorable as local products	6 points
More favorable than products with any country- of-origin	7 points
More favorable than other EU products	8 points
More favorable than local products	9 points

Source: Created by author.

Score distribution shown in Table 2 was chosen based on the fact that, in general, consumers tend to prefer local or domestically produced products, as they are the most familiar with them. (Newman *et al.*, 2014). Thus, “local products” in this case are considered as the most domestic, “EU products” considered as less domestic and product “non-EU products” as foreign.

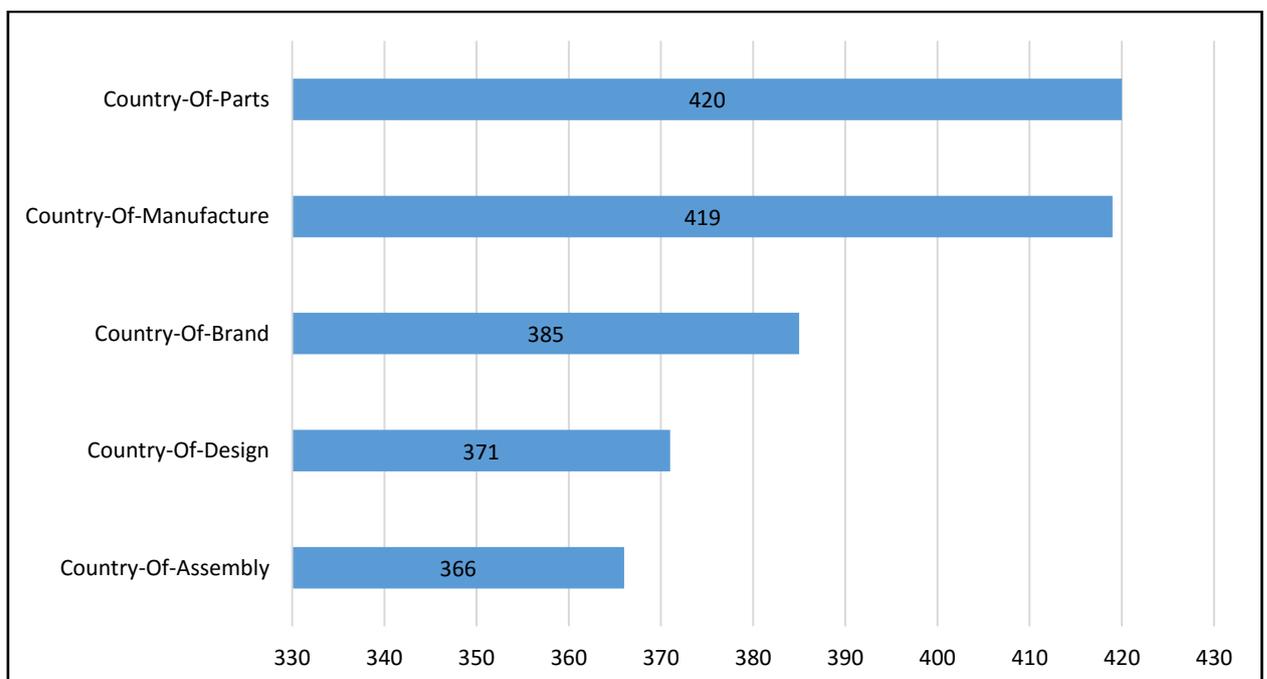


Figure 9. Favorability score of each dimension.

Source: Author’s research.

Figure 9 illustrates that products with Ukrainian country-of-parts received the highest favorability score while food products with Ukrainian country-of-assembly are considered as less favorable. To assign a score to favorability of Ukrainian products each dimension score was multiplied by the weight of importance of that dimension and as a result final score is 479.

To understand what this score means, similar scores were calculated: in case Ukrainian products would be classified as “as favorable as EU product” the score would be 545 and if they would be as favorable as products category originated out of the EU - 436. This result shows that food products with Ukrainian country-of-origin are less favorable than products originated in the EU, however, they are more favorable than products originated out of the EU.

To sum up, the research shows that the amount of negative and positive perceptions regarding products with Ukrainian country-of-origin is close to equal. It also finds out that the products with Ukrainian origin are still not as favorable as products originated in the EU, however they are more favorable than other products originated out of the EU.

To measure if consumers’ perception has changed after the Association Agreement was signed, respondents were asked if they apprehended increase in the quantity of products with Ukrainian country-of-origin, if they have felt change in the quality of products in a positive way and if they have noticed any change of qualities in a negative way.

These responses were analyzed only for the group of people who were aware of food products with Ukrainian country-of-origin in their country. As in case consumer is unaware of any products with Ukrainian country-of-origin he cannot know if their quantity or quality has changed. Usually to apprehend such changes consumer has to either be a regular user of such items or at least be aware of their existence in their market.

A change in quantity is expected to be apprehended by the consumer due to recent signature of various agreements, however, the change may not be rapid as agreements aim to reduce barriers to entry gradually.

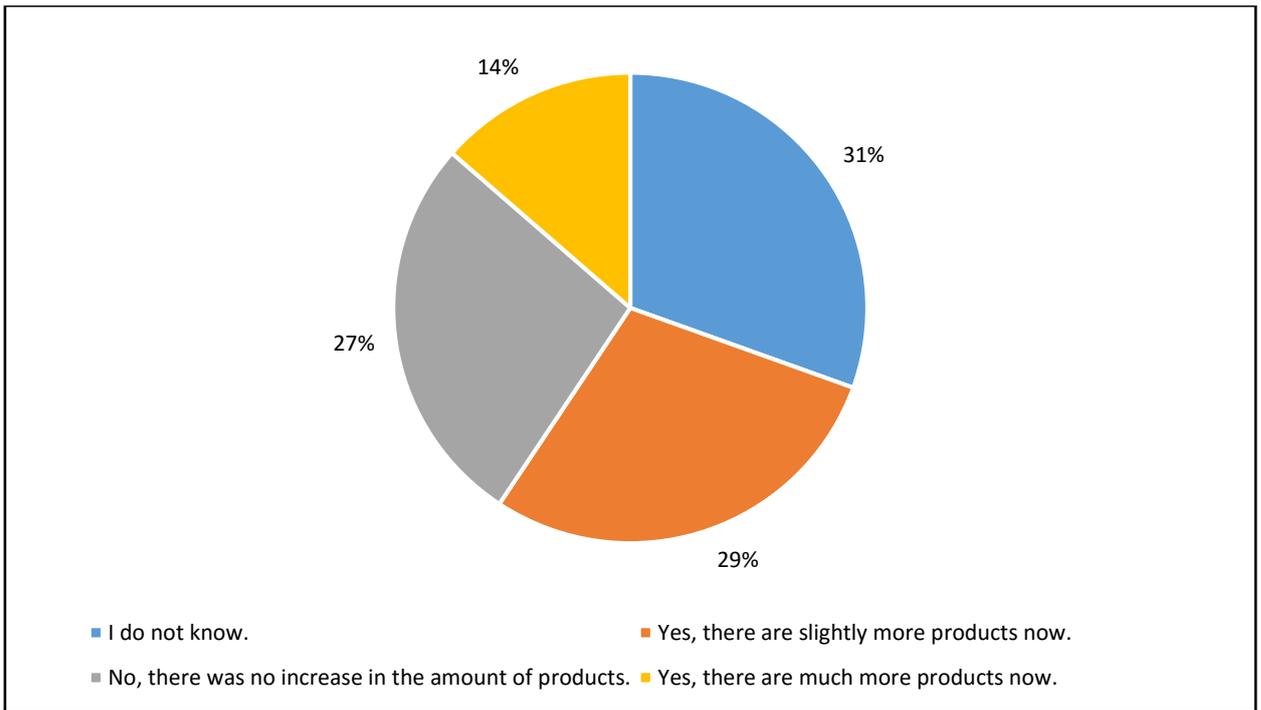


Figure 10. Change in quantity of products in the market after the Association Agreement was signed.

Source: Author's research.

Figure 10 presents that 43 percent of respondents who were aware of the products with Ukrainian country-of-origin in their country have noticed either slight or significant increase in the amount of products.

Regards to the change in quality of the products, consumers have noticed some positive changes and no negative changes. In total, 44 percent of respondents who are aware of the products with Ukrainian country-of-origin in their country have noticed positive change.

To measure possible change in consumers' perception of products with Ukrainian country-of-origin in the case of Ukraine entering the European Union, author used the same analysis method as the third approach of measuring current perception. The weighted average favorability score for products with Ukrainian country-of-origin after it enters the EU is estimated to be 514, which when compared to current favorability score calculated (479), will increase significantly. This means that respondents estimate perception of products to change positively after Ukraine will enter the EU.

The final question of the survey asked respondents to provide their emails in case they were interested in receiving an update on the research outcomes. A total of 27 emails were submitted, which is 25 percent of all respondents. This shows that a large number of respondents has interest in the researched topic.

3.3. Discussion and future possible research

Even though most of the respondents are not aware of the existence of products with Ukrainian country-of-origin in their country, most of them still have some kind of associations with those products. This indicates that their country image “file” is not empty, and thus they may be likely to choose Ukrainian products over products they are not familiar with at all. This also eliminates the possibility that products with Ukrainian country-of-origin would be assigned to a country set, which would negatively influence their perceptions because of unawareness.

As results show the majority of the respondents consider country-of-origin when making their purchase decision, they are likely to be affected by the perceptions of country-of-origin. And the fact that they are ready to pay premium for products originated in countries with a more favorable country-of-origin, makes it highly possible that consumer’s perception may be a barrier to entry for companies that sell products with less favorable country-of-origin.

Research also shows that qualities associated with Ukrainian products and the image of the country are in general positive. As research has identified, Ukrainian products are more favorable than a group of products originated “out of the EU”, however are less favorable than products that were originated in the EU. Respondents have also indicated that they favor EU products more, as almost a quarter of them think that simply because product has Ukrainian country-of-origin, it must cost less than other EU originated products. This means that Ukrainian companies who are exporting their food products to EU should use marketing strategies that would make their products seem European-like.

Research confirms that the EU consumer has not experienced a rapid increase in the quantity of Ukrainian products, after the Association Agreement, which proves that barriers are reduced gradually as planned by the Deep and Comprehensive Free Trade Agreement (DCFTA). However, after the Association Agreement with the EU was signed most of the respondents have noticed that

the quality of products with Ukrainian country-of-origin has improved. Furthermore, the EU consumer has shown that their perception of products with Ukrainian origin will change in a positive way in case Ukraine will become a member state of the EU.

As research showed that only 59 percent of respondents were aware of products with Ukrainian origin on their market, there might be a need to increase this awareness. This thesis has found out that consumers have some items they associate with Ukraine, for instance landscape, thus further research may measure effectiveness of country-of-origin strategies with an aim to raise awareness and thus find out the rationality of use of such campaigns.

This thesis considered only a part of EU consumers and so, further research may extend its scope to a larger number of EU countries to find out how EU consumers as a whole group perceive Ukraine originated products, as perception may vary within each EU culture. In case a research will be done in other EU markets, results and conclusions of this thesis may be used to build a whole picture of EU consumers' perception of products with Ukrainian country-of-origin.

This research may also be used when researching natural barriers to entry for countries which are in process of integration with the EU. For instance, perception of products originated in countries that have recently entered the EU or are, as Ukraine is, in the process of integration.

CONCLUSION

Topic of this thesis has been chosen as after Ukraine signed the Association Agreement with the EU and as part of it the Deep and Comprehensive Free Trade Agreement (DCFTA), trade among the parties has increased due to the gradual governmental barriers to entry reduction (European Commission Trade Policy Ukraine Overview 2017). However, there is no research done on the topic of reduction of natural barriers, namely perception of Ukrainian products by the EU consumer. Such research could help Ukrainian companies who are doing or willing to do business with the EU to stay competitive in the market.

Agri-food sector was chosen as it is one of the strongest industries in Ukraine, generating 12 percent of the country's GDP (Ukraine Country Commercial Guide 2017). With 41,5 million hectares of agricultural land and still developing technology, this sector is expected to grow as it has been for the past 10 years (FAOSTAT... 2017). Even though raw materials are now the largest Ukraine's export to the EU, with technological development the amount of processed food products being exported is projected to grow as well (Saiko 1995).

The aim of this thesis was to find out how the EU consumers perceive food products with Ukrainian country-of-origin and if their perception may change with Ukraine going through the process of entering the EU. Thesis consists of three chapters. First, it provides an overview of theoretical background for this thesis and defines used theoretical concepts. Second, presents information gathered on Ukraine's agri-food industry and Ukraine's trade with the EU. Third, describes the research methods, presents outcomes of the research and analysis of the results, as well as discusses them.

Scientific articles, EU regulative acts and documents, text books and other field specific literature has been reviewed to build a theoretical basis for this thesis. Because author has chosen to conduct a quantitative research, a survey was created and distributed among consumers from Estonia, Latvia, Lithuania and Finland. Such sample group was chosen as Northern European region, which these countries belong to, has higher percentage of imports (Understanding the EU common agricultural policy 2014).

Even though, research shows that most consumers are unaware of the existence of Ukrainian products in their countries, they still have some association in their country “file”, thus they have some kind of perception of Ukrainian products. Respondents perceive products of Ukrainian origin as less favorable than average product set originated in the EU, however, more favorable than average product set originated out of the EU. Consumers are not likely to pay premium for Ukrainian products and in some cases, may even expect them to cost less than European products simply because of its country-of-origin.

After the Association Agreement with the EU was signed several respondents have mentioned that the quality of products with Ukrainian country-of-origin has improved and quantity has increased. Furthermore, the EU consumer has shown that their perception of products with Ukrainian origin will change in a positive way in case Ukraine will become a member state of the EU.

To conclude the results, Ukrainian products may face natural barrier of negative consumer’s perception to enter EU market, however, this barrier is not as strong for products originated in Ukraine as it is for average set of products originated out of EU. Moreover, in case Ukraine will enter the EU this barrier will become even weaker, as consumers, so far, experience only positive changes in quality of products originated in Ukraine with country going through the process of entering the EU.

Research problem has been solved and, as of the moment, author may suggest that companies who are doing or are planning to do business with the EU would find it more beneficial to market their products to seem European-like, as products with EU origin are still more favorable. Author also may recommend such companies to raise awareness of product’s country-of-origin, so people could familiarize with its qualities and thus have better perception of them.

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APPENDICES

Appendix 1. Survey advertisement post



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We ask you to help us with research, which aims to understand how Ukrainian products are perceived by EU consumers now, after it has signed the association with EU. Replying to the research will take you no longer than 8 minutes.

Perception of Ukrainian Food Products

Aim of this research is to understand what is Baltic countries and Finnish consumer's overall perception of food products with Ukrainian origin.

* Required

Greetings!

Thank you for taking the time to assist us in our research. This questionnaire will take you no longer than 8 minutes. All data collected will be used for the purpose of research!

As Ukraine has began it's integration process with the EU, this research is conducted to understand if Ukrainian companies will have a barrier to entry to Baltic and Finnish markets, as a part of EU market, in form of negative perception of products originated in Ukraine.

As agricultural and food industries are one of leading in Ukrainian economy, they were chosen as the subject of this research.

Perception Of Ukrainian

Aim of this research is to understand what is Baltic countries and Finnish consumer's overall perception of food products with Ukrainian origin.

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Appendix 2. Survey questionnaire

11/05/2018

Perception of Ukrainian Food Products

Perception of Ukrainian Food Products

Aim of this research is to understand what is Baltic countries and Finnish consumer's overall perception of food products with Ukrainian origin.

* Required

Greetings!

Thank you for taking the time to assist us in our research. This questionnaire will take you no longer than 8 minutes. All data collected will be used for the purpose of research!

As Ukraine has begun its integration process with the EU, this research is conducted to understand if Ukrainian companies will have a barrier to entry to Baltic and Finnish markets, as a part of EU market, in form of negative perception of products originated in Ukraine.

As agricultural and food industries are one of leading in Ukrainian economy, they were chosen as the subject of this research.

This research is done by Tallinn University of Technology student for research purposes and it is not sponsored or supported by any other organisation in any form.

1. Where are you from? *

Please choose one of the countries below in case you are a citizen of one of this countries or you reside permanently in this country.

Mark only one oval.

- Estonia
- Latvia
- Lithuania
- Finland
- I am neither from Baltic countries nor from Finland. *Skip to "Thank you!"*

General attitude to products with international country of origin.

2. Choose one answer in each row. *

Mark only one oval per row.

	Strongly Disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree
I think it's good to spend time with people who are willing to talk and learn about other cultures.	<input type="radio"/>					
I think I respect others' culture the way I respect mine.	<input type="radio"/>					
I think if people have a positive attitude toward other communities, there would be less conflict in the world.	<input type="radio"/>					
I think to be successful, one needs to be able to use materials, information, knowledge, etc. from other cultures	<input type="radio"/>					
I am ready to learn about other cultures through listening, observation, thinking, and reflecting.	<input type="radio"/>					
I think reading about world events is worthwhile.	<input type="radio"/>					

3. Choose one answer in each row. **Mark only one oval per row.*

	Disagree	Undecided	Agree
EU citizens/residents should always buy EU-made products instead of imports.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Only those products that are unavailable in EU should be imported.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Purchasing foreign-made products is un-European	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
It is not right to purchase foreign products, because it puts Europeans out of jobs.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
A real EU citizen/resident should always buy European-made products.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Europeans should not buy foreign products, because this hurts European business and causes unemployment.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
It may cost me in the long-run but I prefer to support European products	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Consumers who purchase products made in out of EU countries are responsible for putting their compatriots out of work.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

General food products purchase behaviour.**4. When purchasing food products do you consider its country of origin? ****Mark only one oval.*

- Yes
- No

Definitions for country-of-origin dimensions

Country-Of-Design - country where product was conceived and engineered

Country-Of-Assembly - country where the majority of the product's final assembly took place

Country-Of-Parts - country where the majority of the materials used in product come from and/or the components parts are made

Country-Of-Manufacture - country where the product is manufactured

Country-Of-Brand - country in which the brand name originated

5. Please choose each country-of-origin dimension that you consider once purchasing food products. **Check all that apply.*

- Country-Of-Design
- Country-Of-Assembly
- Country-Of-Parts
- Country-Of-Manufacture
- Country-Of-Brand

6. For which type of food products its origin is highly important? **Mark only one oval.*

- Relatively inexpensive products
- Relatively expensive products
- Cost does not influence the importance

7. Do you think that country-of-origin is important for products in these price ranges: *

Do you check country-of-origin on products in these price ranges often when you purchase them?
 Check all that apply.

- From 0 EUR to 5 EUR
- From 5 EUR to 10 EUR
- From 10 EUR to 50 EUR
- From 50 EUR to 200 EUR
- Over 200 EUR

8. Are you willing to pay more for a product with a favourable country of origin? *

Mark only one oval.

- Yes
- No

Ukrainian products in your country.

9. Are you aware of any food products with Ukrainian origin in your country? *

Mark only one oval.

- Yes
- No

Definitions for country-of-origin dimensions

Country-Of-Design - country where product was conceived and engineered
 Country-Of-Assembly - country where the majority of the product's final assembly took place
 Country-Of-Parts - country where the majority of the materials used in product come from and/or the components parts are made
 Country-Of-Manufacture - country where the product is manufactured
 Country-Of-Brand - country in which the brand name originated

10. Please choose one from each row. *

If you find out that a product has one of this Ukrainian country-of-origin dimensions, how would you think of it? "This dimension does not matter" means that product with such dimension is as favourable as all other non-EU products.
 Mark only one oval per row.

	Less favourable than any other products	Less favourable than other EU products	Less favourable than other local products	As favourable as EU products	This dimension does not matter	As favourable as local products	More favourable than local products	More favourable than other EU products	More favourable than products with any country-of-origin
Products with Ukrainian Country-Of-Design	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Products with Ukrainian Country-Of-Assembly	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Products with Ukrainian Country-Of-Parts	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Products with Ukrainian Country-Of-Manufacture	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Products with Ukrainian Country-Of-Brand	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

11. Please choose company names that you like. **Check all that apply.*

- Chumak
 Maustaja
 Salvest
 Miida
 Spilva

12. Which quality do you associate with Ukrainian food products? *

Below are listed the most popular responses, please do not hesitate to add other responses if you would like to.

Check all that apply.

- Natural
 Organic
 Not regulated enough
 Unhealthy, due to environment pollution
 Inexpensive
 Other: _____

13. When seeing Ukrainian country flag on a food product what two qualities do you assign to this product? *

14. What famous Ukrainian artists do you know? *

If you know non, please write "No"

15. What landscape do you associate with Ukraine? **Check all that apply.*

- Mountains
 Fields
 Desert
 Forests
 Tropical woods
 Sea shore
 I have no associations.
 Other: _____

16. What architectural style do you associate with Ukraine? *

If you know non, please write "No"

17. When thinking of Ukrainian food products, to which price range you think most of them belong? **Mark only one oval.*

- From 0 EUR to 5 EUR
- From 5 EUR to 10 EUR
- From 10 EUR to 50 EUR
- From 50 EUR to 200 EUR
- Over 200 EUR

18. Are you likely to pay more for food products with Ukrainian country-of-origin? **Mark only one oval.*

- Yes
- No
- Maybe

19. Do you think that Ukrainian products must cost less than local or other EU originated products? **Only because of its country-of-origin**Mark only one oval.*

- Yes
- No
- Maybe

Ukrainian Food Products Ukraine's possible integration with EU.**Association agreement with EU**

Recently Ukraine has signed Association Agreement with EU, which has become active since 1 September 2017. This agreement has already introduced reduction and simplification of barriers to entry for Ukrainian companies to the EU markets. Quotas have been increased for various product categories and for some they were eliminated. This agreement is believed to stimulate trade growth among the two parties.

20. Are you aware of increase in Ukrainian food products being sold in your country, after Ukraine has signed association with EU? ***after 1st September 2017**Mark only one oval.*

- Yes, there are much more products now.
- Yes, there are slightly more products now.
- No, there was no increase in the amount of products.
- I do not know.

21. Please indicate, in your opinion, which Ukrainian food products' qualities have changed in a positive way after the association was signed? *

Below are listed the most popular responses, please do not hesitate to add other responses if you would like to.

Check all that apply.

- Natural
- Organic
- Not regulated enough
- Unhealthy, due to environment pollution
- Nothing has changed
- Other: _____

22. Do you think there are any qualities that changed in a negative way after signing the association? **Mark only one oval.*

- Yes
- No

23. If you responded "Yes" to previous question, please indicate which qualities have changed in a negative way.

Definitions for country-of-origin dimensions

Country-Of-Design - country where product was conceived and engineered
 Country-Of-Assembly - country where the majority of the product's final assembly took place
 Country-Of-Parts - country where the majority of the materials used in product come from and/or the components parts are made
 Country-Of-Manufacture - country where the product is manufactured
 Country-Of-Brand - country in which the brand name originated

24. If Ukraine will enter EU, how favourable will its products be? *

"This dimension does not matter" means that product with such dimension is as favourable as all other products.
 Mark only one oval per row.

	Less favourable than any other products	Less favourable than other EU products	Less favourable than other local products	As favourable as EU products	This dimension does not matter	As favourable as local products	More favourable than local products	More favourable than other EU products	More favourable than products with any country-of-origin
Products with Ukrainian Country-Of-Design	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Products with Ukrainian Country-Of-Assembly	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Products with Ukrainian Country-Of-Parts	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Products with Ukrainian Country-Of-Manufacture	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Products with Ukrainian Country-Of-Brand	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Thank you!

Thank you so much for taking the time to assist us in our research. If you have any questions, feel free to contact: dmytro.pavlenko@hotmail.com

25. If you wish to receive an update on this research outcome, please provide your email.

Stop filling out this form.

Thank you!

You are out of our target group.

Thank you so much for taking the time to assist us in our research. However, as you are neither a citizen nor a permanent resident of Estonia, Latvia, Lithuania or Finland, you will not fit in our target audience.

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