

Do Car Buyers Value Domestically Produced Cars More Than Others? Evidence from Turkey

Ali KURU

Uludag University, Turkey
alikuru@uludag.edu.tr

Abstract:

It is projected that Turkey will manufacture the first indigenous car in 2022. Although this will be a new brand owned by Turkish investors, there are in fact numerous foreign brands which have been produced in Turkey for years. In this study, I investigate if car buyers in Turkey significantly value domestically produced passenger cars more than others on average. To estimate the car buyers' willingness to pay price for them, I constructed a hedonic model of new passenger cars sold in Turkey on various car characteristics in a unique panel data of a twelve-month period. Results suggest that car buyers are willing to pay a premium for those cars, approximately 1.6 percent of vehicle's price on average, in comparison to those which are produced in anywhere outside of Turkey. Once the country cars are produced in is included for those which have more than 5 percent of the market in the study period, I found evidence that car buyers are willing to pay more for those produced in Germany or Spain and less for those produced in Romania or other countries altogether than those produced in Turkey. These results might at least give some insights to manufacturers and/or policy makers about how car buyers value domestically produced cars in Turkey if not bring a new perspective about how they would value prospected indigenous cars.

Keywords: Transportation Economics, Hedonic Model, Consumer Valuation, Domestic Cars, Panel Data Analysis

JEL Codes: C33, C50, D12, L91, R40