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**Consumption values: Value differences between Baltic States shoppers and
trade influence on consumption habits**

Master thesis

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Introduction

Consumption is increasing everywhere in the world. It is considered partly a social and global problem. Ever increasing consumption has benefits for economy creating more jobs and benefiting cash-flow but it creates also many problems for environment and most importantly, in the light of values, it does not make people happier. There are researches done in USA, where the happiness of the people is same or lower than it was about half a century ago, though the wealth and consumption has boomed. (Virki, 2004) Is that the future, what waits for consumers of Baltics. Extra working hours, extra cash in hand but more psychological diseases caused by stress and unhappiness.

The consumption patterns in the past twenty to fifteen years have changed drastically. Coming from the deficit economy to abundance has had a strong impact on people. The habit to shop (read: hunt for basic good) has changed to vast choice of colorful packages, fancy brand names and unknown product categories. The habit to go to shop in small corner stores and open markets is being replaced by hyper- and supermarkets. Consumers have become so much more demanding and knowledgeable about products over a short period of time. The liberation movements started at the second half of eighties in Baltics with the first co-operative owned free economy type of shopping possibilities as well as shops for hard currency¹. Limited access to people to make purchases as the hard currency was not widely available but gave first glimpse of “paradise” shopping experience. Then the economy was fully liberalized, the consumption acquired a different meaning and shops appeared everywhere. The economy was still struggling but the shopping possibilities got better and more professional in their management. Foreign capital was flowing into Baltics and supermarkets open. Then the economy got another hit during the Russian crisis 1998-99,

but the recovery was relatively fast and since then the internal consumption has been increasing by approximately 10% per year. (Statistical offices of Baltic States)

Baltic States as a region is often looked from distance as a one homogeneous area. The big companies, politicians and even pop-music stars deal with it as one region. The three small countries with very small population are easy to put into one. The perceived similarity comes also from our similar recent history with the Soviet Union. Quite some times there have been situations where, there has been an attempt to enter the Baltic market by big companies assuming that such a small region is very homogenous. It has been proven to be one of the biggest mistakes, where companies have failed. Entering Baltic States with new FMCG business, due to diversity is somewhat complex and not cheap for sure. The diversity in such a small geographical region is not expected and without looking into detail it seems also difficult to understand for many foreigners.

The societies have been through the big changes (political and economical break-off from the former Soviet Union) in the past decade and many people are believed to have changed their attitudes and behavior. The importance of religion, local culture and social networks has changed due to all of that. It makes it very interesting to understand where the countries stand now almost 15 years after the liberalization. Within the small territory live four bigger ethnic groups, such titular nations like Estonians, Latvians, Lithuanians but also Russians, not to mention smaller groups and regional differences. It is indeed an area where similarities are probably more scarce than the differences. The changes in society are guaranteed as well as new trends in populations value systems.

Usually, not a lot of thought is put into our grocery shopping activity, it is something what we do, without analyzing it very much. We use some kind of habit and routine and go with the flow. In past decade very many changes have happened in the retail trade market. The entry of the international chains, discounters as well as local trade is organizing itself due to market pressure. The most drastic changes have taken place in the fast moving consumer

¹ Money from Western Europe like German mark, Finish mark, Swedish krona and also US dollar.

goods (FMCG) business. It has had a lot of impact on the shopper as well as on general consumption habits. I am interested in consumption values because I have been working in the FMCG business over 8 years. The challenge to understand consumer motivations and choices in front of a shelf is very fascinating. Most of the consumer choices are not easily rationalized and analyzed. For low involvement goods², people cannot explain exactly how the choice is made and the rationale is not even required. One does not have to have a full and thorough explanation for oneself, why certain kind of washing powder or tea brand was chosen. The rationalization is taken care by brand marketers, which position the brand in a certain value segment and people who identify themselves with these values, should choose in principle that product.

Consumption is buying and using goods and services by people to improve their standard of living. (Miller 1997) Nowadays most of the non-durable goods are getting equally high in quality and are relatively well adjusted to local habits. Then how is the choice made in front of the shelf? For non-durable goods market there has been in the middle of nineties a big boom for different products on the market. All the bigger and smaller wholesalers as well as retailers directly imported goods from all over and put them on the shelf. The choice was big and most products relatively expensive. The market in FMCG has been moving towards harmonization and optimization over the past 5 years.³ Also in FMCG market the split is made between foods and home and personal care (HPC) products, which one can find in most of modern trade⁴. The HPC market is very harmonized by larger regions in Europe and products homogeneous, while for food the local and regional differences are taken more into account. The food business is played most of the time by the rules of local habits and preferences.

² Low involvement goods are the products, which are bought without the need to obtain a lot of information or analyzing the info. Often low involvement purchases are most food products and as well as number of toiletries and impulse purchases.

³ Which can be a not that positive in the eyes of consumers who cherish the choice but in terms of price levels and clarity of the market, it has been a very positive step. (Toomsalu 2005)

⁴ The modern trade, hyper- and super markets as well as any other type of highly organized shop(s) with more than 300 sq. meters of space

In the whole world and Europe the biggest retailers are gaining ground by consolidation and take-overs. The biggest retailing chain in the world is the US-owned Wal-Mart, which has not reached Baltics yet but is doing very well in Western Europe and Asia. The biggest retailers in Baltics are belonging to international retail chains. For example Rimi belongs to Dutch Ahold group, Citymarket⁵ and Prisma to the Finnish and so on. The other tendency in the retailing environment is the turn to the modern trade which here means super- and hyper-markets, standardized product range and layout in the store. The business idea is built on critical mass, where the buying from the producers or wholesalers is cheaper due to higher volumes, which can be sold via the larger network of shops. This gives to trade a real edge against the brand and product producers during listing⁶ negotiations. For the shopper it means in a way an easier and cheaper shopping but also less choice. Therefore the retail chains which are becoming increasingly homogeneous in their looks and choice of goods need to differentiate and stimulate the consumer ever more.

The totality of the consumer behavior in a shopping situation is influenced by a variety of factors. It can be studied from a consumer perspective where the socio-graphics and demographics play an important role, starting from education and income to family size and ethnic background. The other aspect is the values what lead people; the culture is one of the more visible expressions of the internal core values. It can be analyzed in unlimited number of ways, taking religion or gender or even the most used, culture and language as the basis. Taking a look at the shoppers' values⁷ and their main motivations when choosing products, is the starting-point for understanding their actions. It is claimed by outstanding sociologists that we carry within a set of values, which leads us through the life, influences

⁵ Since Q4 2004 the joint venture of Kesko Foods (Prisma) and ICA (Rimi) is created to increase competitiveness in the Baltic market. The shops will be RIMI hypermarkets, Rimi supermarkets, SuperNetto and Säästumarket

⁶ Listing is the general term used in between trade and wholesalers/brand owners to get the product listed into the assortment of a retailer.

⁷ The shopper is the one who purchases the products and makes the choices during the purchase occasion. Shopper can be also the one who uses the product but not necessarily. By definition consumer is the one who consumes the end product but at the same time can be also shopper. As my main interest is the behavior of the person who shops and makes the decision in the shop, I will focus on the shopper. For simplification reasons I will use in this context shopper and consumer and purchases as synonyms. Who and when the goods purchased will be consumed is a different area and could not be covered in this thesis.

our moods and our decisions. “The value-researchers Rokeach and Schwartz consider values as the individual’s relatively permanent convictions, believing the certain ways of behavior and/or (ultimate) goals are desirable or socially preferable for a him/her personally.” (Rokeach 1973, Schwartz 2002) And most of the time we probably take our values for granted, to make our choices. But something triggers us ,for example, to choose one product or brand over the other in the shop.

Recent developments in trade structure have changed the dynamics of the market quite significantly and the consumer is in my opinion the one who dictates its preferences to the trade. Where, when and what to shop is nowadays such an open choice, the retailers are ‘fighting for their place under the sun’ with all kinds of stimuli to allure the shoppers into their stores and buy more, now and always. And then again, it is not so easy to use one clear approach for all the consumers all over the Baltic states. The seemingly similar region suddenly becomes very different and diverse, people think and act differently.

The problem which I will try to find answer for through the values theory and research analysis in this thesis is:

How do the differences in consumption values influence the retail trade behavior towards shoppers in Baltic region?

The main stimuli and interests in this thesis is the effect of retail trade environment, when people do their everyday shopping. The simple and often routine activity of people, who just act out of a habit to get their basic needs covered by grocery shopping. To support my thesis empirically and to illustrate the trade influence on consumers, the Baltics will be taken as a study field. The context of Baltics hopefully will help to better understand the differences of retail environment and how it has an effect on the consumer. As a result I would like to show what the main value attributes are which influence our “small” everyday decisions while we are consuming non-durable low involvement food products/brands.

In my thesis I would like to bring some clarity of interaction between the values of shoppers and the retail trade. I would like to look at the ways shopping is nowadays determined by the place we shop at, and how and what we shop. To look into detail in that, I have stated five hypothesis to help to solve the core problem posted in my thesis.

Hypothesis

The main challenge to answer to problem is to understand how similar consumers are in the three countries in terms of their value orientation. Sharing the common socio-political history for fifty years and the last decade the turbulent move to free market economy. The Soviet Union socialist economical structures had created the deficit of goods and the change to free economy has created the consumption boost. Has the common history made the three countries close in terms of values and outlook of life? To answer that, I would look into the total country values and its order by stating that:

- 1) The differences in consumer choices in Baltic states derive from different order of main driving values.

The common belief is that neighboring countries are similar, or respectively more similar and the differences come with distance and cultural differences. Many Estonian businesses have attempted to go to Latvian market with a perceived similarity of the market. And if Lithuania is mostly considered different, it results from distance but also in large scale from the historical and religious background. Lithuania being largely Catholic and Latvia and Estonia mainly Lutheran/Protestant. Based on assumption of geographical and religious closeness:

- 2) Estonian and Latvian consumers are more similar in their values than Lithuanians.

After studying the values of the Baltic shoppers, I can challenge the traditional brand marketers' thinking of how people shop for brands and how purchases are rationalized, which is always believed to be brand centric. In my expectation the structure of retail trade

could have more power over the choices of consumer. The influential factors are not only the advertising and loyalty cards but trade can have many tools, which are not that obvious and visible to the consumer. It is believed that location is one of the key factors but also what goods are handled, how they are placed on the shelf and which products are more and better displayed than others and many more trade strategies to stimulate the consumer.

3) Trade structure and actions influence the consumption habits more than the brands (advertising).

Provided that the values of consumers are different in three countries, is it addressed via the retailers. It seems that Baltics' is considered as small homogenous region and one strategy is used by most retailers.

4) Provided the shopper's values are different, the Baltic retailers use similar (same) tools and mechanism to stimulate the consumer (to come to their store or make more purchases in their store).

Having the facts on the consumer preferences towards bigger shopping areas and trade actions in the Baltics through the consolidations which are going on, the future is looking towards great harmonization, to cut cost and reduce complexity. The businesses are based on their ability to generate cash flow. The fastest possible rotation is the key to survival, low cost and centralized management. The choice and freedom of the consumer will be limited by retail trade and shoppers need to adjust to that.

5) Further trade structure development in Baltics will lead towards greater centralization and harmonization.

According to Inglehart (1990) the values of Baltic States are different from the ones in Western European countries, mainly because of their low orientation towards postmaterialistic values. For the understanding values and their basic order, which should determine the differences (Schwarz 1992) I will try to empirically show the values of Baltic consumers. My analysis is basing on the RISC values study conducted by EMOR in quarter 1, 2004. Also I would like to look at how trade is influencing the choices and especially

fostering to consume more, because for the low involvement goods the choice is made at the shop with a very short time in front of the shelf. There, I will use the interview-questionnaires with the trade experts to verify the main tools and methods used in store to influence shoppers.

Definition and Delimitation

This section will provide definitions regarding the terms employed in the problem formulation. Central terms mentioned throughout this thesis will be defined when mentioned the first time. In order to give a well-delimited area of research, some research aspects have been excluded.

Shopper

In order to understand the shopper we need to understand the process which is carried out by the shopper. Most of our choices about what to consume are made by purchasing the goods as nowadays not much is grown or produced at home. Some people take it as an annoying obligation, which we need to fulfill, on the other hand there are plenty of people who enjoy the process and spend significant amount of their spare time to browse through the shops. Semiotic Juri Lotman has divided two major types of shopping, one of which is practical and second is ritual.⁸ I see it as a way to satisfy certain types of needs, by going through the shops, making decisions and being the “decision taker”. Hereby, by shopper I see a person who makes the purchase decision in the store, regardless of the end state of the product. It can be consumed by the person or given to other people. Who and when the goods purchased will be consumed is a different area of study and will not be covered in this thesis.

Shoppers or purchasers can be characterized by different socio-demographical parameters like: age, gender, income, education, geography, ethnicity and so on, but I would like to look only at the core decision makers for the purpose of focus in my thesis. According to

⁸ Keller, Margit (2004) “Representations of consumer culture in Post-Soviet Estonia: Transformations and tensions” dissertation in Department of Journalism and Communications, Tartu University Press

Eating Habits Study run in 2003 the main shoppers for food in Baltics are females age between 25-49, mainly running a household. (Unilever Eating Habits Study 2003) I will be delimiting myself for that shopper group in the analysis of the values.

Values

Values can be at many levels like: individual, institutional or societal level and at the end, they are all inter-linked. In my point of view, to find out more about the consumption values, I shall understand the values in sociological context.

Value being a constructed mental concept of right and wrong, what is worth and what is good. For Florence Kluckhohn the main idea of value was “conceptions of the desirable” and the concept how the choices of people are influenced by the desire factor (Inglehart 2002). “The desirable refers not simply to what people actually want – in practice, people want all sorts of things. Values are ideas about what they *ought* to want. They are the criteria by which people judge which desires they consider legitimate and worthwhile and which they do not.”(Graeber 2001, p. 3) This can be broken down to what a person wants from life or what is the meaning of life. People have ideas on what is a rightful thing to do or be and strive for it. And the background of the idea of right and wrong starts from culture and family. (Schwartz 1992)

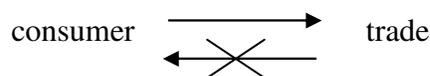
One of the way to look at the values is thorough David Graeber’s definition of three streams. These are:

1. “values” in the sociological sense: conceptions of what is ultimately good, proper, or desirable in human life
2. “value” in the economic sense: the degree to which objects are desired, particularly as measured by how much others are willing to give up to get them
3. “value” in the linguistic sense, which goes back to the structural linguistics of Ferdinand de Saussure (1966), and might be most simply glossed as “meaningful difference”.

For this thesis I would like to see value strictly in sociological terms, as a set of beliefs and concepts of right and wrong. Because values are the key drivers in our decisions, moods, states of mind and so on, I would like to look only a limited part of our value base. The values that trigger us to buy goods what we use often, which consumption we most likely even do not notice and take for granted. I would not go into detail on the origin of the base values, as it would lead me in the depth of the human psychology at individual's level. My aim is to stay on the social level and look groups of people who behave similarly based on similar stimuli.

Influence

For the purposes of clarity I will define also the term “influence” which I used in the problem formulation as it has an impact on my point of view. In this thesis context I define the term ‘influence’ as the way trade interacts and organizes itself around the consumer values and preferences. I hereby assume that it is the consumer values that influence the trade. The starting point in looking at the consumer values is the trade angle. The proposition is how trade sees the values and can work with the shopper values to get most out of it. Therefore I delimit myself to this assumption that the influence is one-way, it comes from consumer to trade.



Retail Trade

What is the trade structure and how the retail operates? How is retail trade trying to influence the choices made on ‘their ground’, where people go to do their shopping? Trade in the Baltic's is very diverse and fragmented compared to Western European markets but I

would not like to spend very much time on analyzing the differences there as I believe that it has less of an effect on what is purchased. Indeed there are correlation's between the sizes of the shop, whether it is a chain, a discounter or a regular supermarket. To my understanding it has less of an effect on what is purchased but rather where the goods are purchased which will not be the subject of this thesis.

In Baltics trade is divided into several sub-segments as: traditional trade, modern trade or key accounts, discounters. Trade can also be looked at from the ownership point of view: Does it belong to local or international chain, is it pan-Baltic or local. I will mainly focus on modern trade in Baltics, as the growth of modern trade has been very high. I will be defining the terms of trade at a later stage where I give an overview of the trade structure.

FMCG – Foods

I would like to focus only on the consumption of fast moving consumer goods (FMCG), especially foods, because these usually are fairly inexpensive, we all need these for our daily operations and vast majority of people can afford these. And I would like to find out the value base for using the goods, which are of low value in terms of money but highly used due to their basic nature. These are the basic goods, which can be placed on the Maslow pyramid in the lowest box or base - the products we need for survival. These are low involvement goods to meet our basic needs for food, nutrition and self-care. The food consumption varies quite drastically by country and region. Partly it is influenced by factors such as climate, living standard or national eating habits, culture and heritage. I would not want to go into the dietary specifics in my thesis but I will try to understand what determines the choice between everyday consumed low-involvement food products during the shopping situation.

Trade Behavior

In the context of this thesis the trade behavior will be understood as the actions, changes, efforts made by the trade to influence consumer decisions,. Naturally, each retailer would like to see as many shoppers in their premises as possible and a lot of money is spent on the goods available in the store. The trade behavior in my thesis will cover all kinds of interaction trade has with shoppers or potential shoppers inside or outside the shop, one-way communication or both ways. It can be as far fetching as choosing a location for the shop or rearranging the shelf.

Baltic Region

Baltic States is a region with three culturally, historically and economically different and at the same time somewhat similar countries: Estonia, Latvia and Lithuania. The biggest differences come in terms of language, Latvian and Lithuanian languages belong to same language group (Baltic language group) and Estonian into a different one (Finno-Ugric language group). Also religion is one of the biggest discriminators between these countries. Lithuania being Catholic, Latvia Lutheran and in a large part Russian Orthodox, Estonia out of the three least religious but the main religions practiced are Lutheran and Russian Orthodox. I will not go into any of the differences or similarities mentioned. I will look the main shopper groups from the standpoint of values and trade. I delimit myself to these two areas only.

In Baltics there are several ethnic groups in each country. The largest minority of each country is the Russian population

Table 1.

The ethnic composition of Baltic countries

Nationality	Estonia	Latvia	Lithuania
Titular nationality	66%	57%	81%
Russians	28%	30%	9%
Belarussians	1.5%	4%	2%
Polish		2%	7%
Other	4.5%	7%	2%

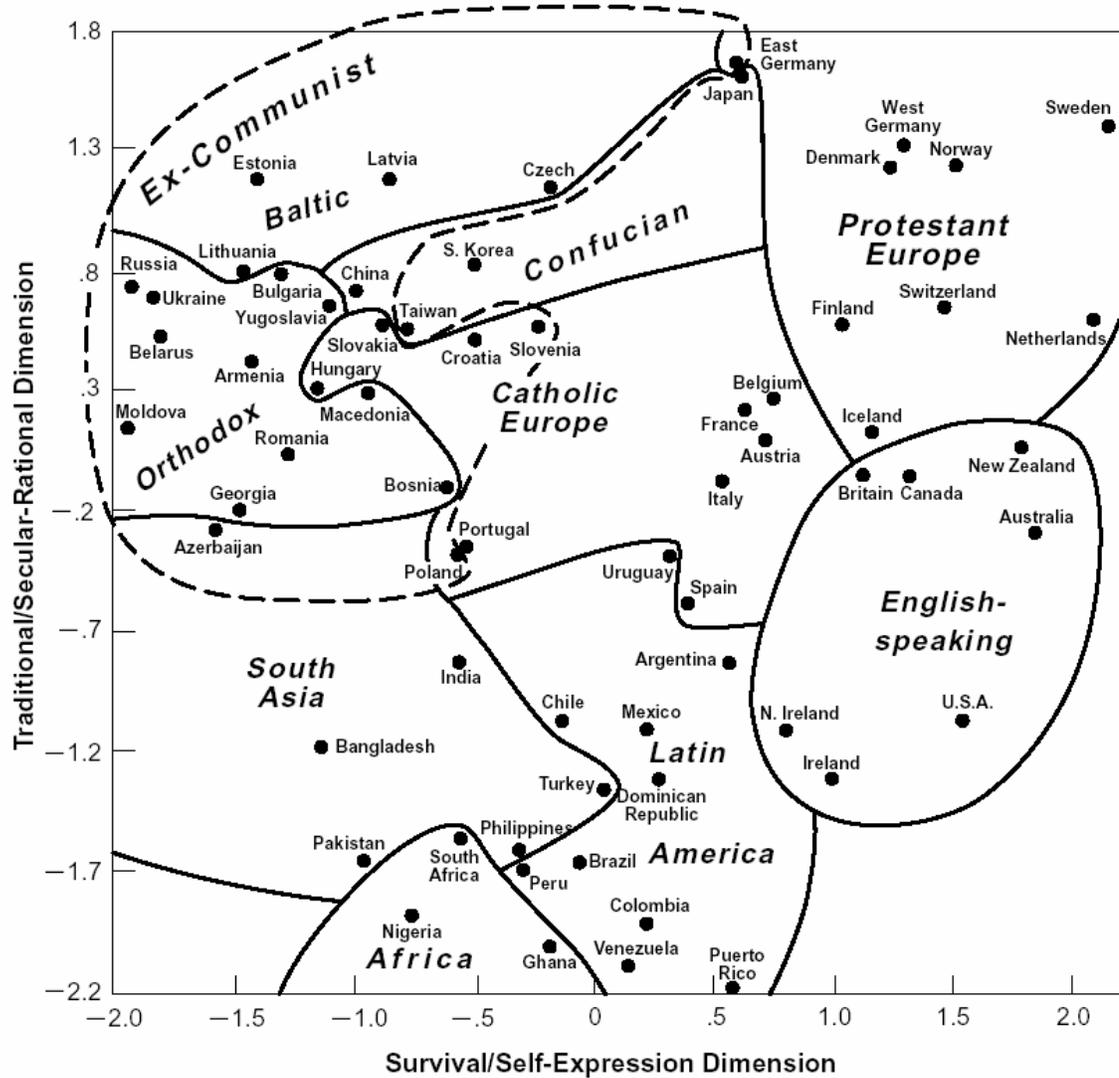
Source: <http://www.euroinfo.ee/riigid.html#Eesti>

I will delimit myself by using the values of total nation, regardless of the ethnic background and treat the country's population as a whole (respectively Estonians, Latvians and Lithuanians).

In Inglehart's (2000) cross-cultural variation studies we can find Baltic States in upper left corner, where traditional/secular-rational dimensions indicate that people place importance on religion, which is not very strong in Baltics. The other dimension where Baltics are very low side on the survival/self-expression axis, with indications reflection more on materialistic values and less tolerance. According to Inglehart the economic development level has a lot to do with the second dimension and also as we can see from the figure the rich and developed countries have relatively higher self-expression scores than developing nations.

Figure 1.

Inglehart World Values survey 1990-1991 and 1995-1998, Location of 65 societies on the Two Dimensions of Cross-cultural Variations

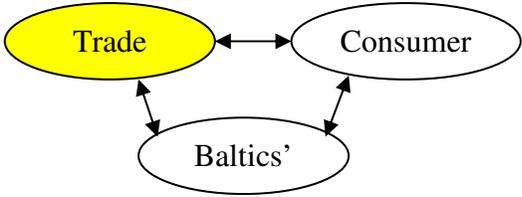


Source: "Modernization, cultural change, and the persistence of traditional values"
Inglehart, Baker 2000, p. 29

My thesis is based on the Baltic countries and looks into the similarities and/or differences in consumption behavior without trying to go beyond this issue and understand how the values are formed and changed over past years. Instead, I focus on how it influences the

behavior at a present moment. My interest is to find out what the factors are on which the motivation and stimuli is built in Baltics and if it differs between the three countries.

My thesis will be based on the three stake-holders: shoppers, trade, Baltic region. For research purposes I consider only one of them as a variable, which is trade and its actions. I treat all the three levels of the analysis the same but my focus and approach will be from the trade angle.



Methodology

This section is an overview of the methods I have used throughout the thesis in order to solve and investigate the given problem formulation. For the methodology which I have chosen, I am presenting the research type as well as the considerations, how I understand knowledge creation in this particular context.

Research Type

The most relevant research type in this context seems to be a *critical diagnoses* (Hair, Bush, Ortinau 2000), as this type of research starts in an observation or diagnoses of a phenomenon in the real world. In this case, it has been observed that most retailers interact with shoppers based on some kind of patterns for FMCG category. People have different habits in different shops. There can be several reasons for certain type of behavior, as for instance the location of the store, the goods which have been same for years or a special need for products which make one feel self-assured. In this context, the potential conflict is that brand producers, trade and consumers have a different view on these matters, as it eventually will be impossible to differentiate the brands from one another.

Furthermore, the words *critical diagnoses* refer to my use of both empirical and theoretical information. I have selected theories that suite to solving the hypothesis. I am also critical of the empirical data that has been gathered; I reflect upon the respondents' statements and am critical as to the trade strategies and statements. In other words, I do not take any information for granted. In choosing this type of research, I distance myself from the positivistic scientific ideal, because the aim of the thesis is not to produce universal valid results and adopt a neutral standpoint. Therefore, it is argued that this type of analysis

belongs to the social science sphere, and thereby any other scientific paradigm could find other solutions to the same subject.

Validity, Reliability and Generalization of the Research

Validity concerns relevance as it deals with the consistency between the theoretical and empirical level of this thesis. Relevance concerns the degree of relevance of the empirical data gathering, according to the problem formulation, and thereby my area of research (Hair, Bush, Ortinau 2000). I believe in the validity of this thesis in the practical dimension. Communicative validity involves testing the validity of the results in a dialogue (Hair, Bush, Ortinau 2000). The dialogue with the trade specialists has in some cases been an ongoing process, and in others it has been limited to only one e-mail correspondence.

However, reliability is a critical issue in this type of qualitative research. Reliability is understood as the accuracy of the study, meaning that the same results will occur, if the study is duplicated under the identical conditions (Frankfort-Nachmias, Nahmias 1992). However, in qualitative interviews the reliability is difficult to acquire, as the constant influences on consumers might yield different answers depending on the moment of the interview.

After having established the validity of the research, I can move on to generalization, as validity is a prerequisite for generalization. Since my thesis takes a qualitative angle, we can talk about qualitative generalization. Furthermore, the research has been focusing specifically on the FMCG foods category in Batlics, and therefore the findings will only be valid for this specific category, as other findings may occur in other product categories. However, I do not exclude the possibility that the findings can be useful in other related categories, as for instance home and personal care, impulse products, goods in gas stations or literature etc.

Aim of the Research

The purpose of the research is to deliver consumer- and trade based strategic insights to inform and inspire the work with the FMCG consumer values and help trade to recognize this. More concretely, the aim is to align the effect of values on the consumers, and the trade influences in their business building efforts. It is important to note that this research has produced results in a given context and time. These results might become obsolete over time as markets mature, consumption patterns change etc. The importance of shopper values in FMCG category has increased significantly as a result of media pressure and trade efforts. This phenomenon is also to be seen in the increasing awareness of quality of goods, origin of goods and conditions the goods have been produced. All these factors contribute to the enhanced awareness of what we consume, and might therefore increase the consumers' information needs and requirements.

The originality of the research rests in the fact that I have not found any prior research on the effects of retail trade influences in FMCG category. Methodologically, I have chosen to start the research in the consumers' values and use of trade effects within this specific product (namely FMCG foods) category. Empirically, the originality of the thesis resides in the fact that my contact with the industry has revealed that the consumer values consideration in trade efforts to boost consumption is highly relevant but not much utilized so far. Therefore, I believe this thesis can provide useful insights regarding the strategic use of values in trade for the FMCG category on the basis of consumer insights on values and trade actions.

Data Collection

The aim of this thesis is to study the trade action on the shopper values. This will be done by analyzing at which values are most dominant for the consumer and how trade uses these values in order to stimulate the marketing and sales activities. Studying both the trade and the shopper will reveal if there are any displacements between how the trade actually views the shopper values in three Baltic states. For this purpose I need to dig beneath the superficial explanation and uncover the meaning, thoughts and beliefs. This creation of deeper understanding of the complex area of problem researched in this thesis, has been achieved via analysis of quantitative data and qualitative data gathering technique. Here the methods used regarding the research object, will be described.

Primary Quantitative Data

In my thesis I have used several sources of data to find out more about Baltic consumers consumption habits and values. A myriad of parameters can be taken into account in order to understand the motivation behind choices in the purchasing moment. Consumer features about the products itself or the shopping environment are best described via values. Several statistical resources have been used as well as ‘value researches’ purchased by Unilever Baltic LLC⁹. Consumer values part of my data and conclusions are based on research conducted by TNS Emor in the February of 2004 about values in Baltic States. The research is called RISC. “RISC is an international value tracking and comparison system that has been developed in France in 1980 in the International Research Institute on Social Change. Emor is the RISC license holder for the Baltic States and the reports have been compiled based on the data processing program MicroRISC. I will be using for my analysis the EMOR data, of which I use only the data which I find relevant to the research subject of this thesis and for which I have got the permission of usage from TNS Emor.

⁹ Unilever Baltic LLC is my long term employer and the company has given the permission to use the consumer data purchased by the company in past 4 years for my thesis analysis purposes

The basis for the international value tracking system devised by RISC International is ca one hundred socio-cultural questions concerning people's daily behavior, choices and convictions, which are connected with socio-demographic background and the questions about consumption habits and preferences. The main questions in the RISC system have been built on statements, the agreeing-disagreeing with these statements is marked by the respondents on a 4-point Likert scale. The standard analysis means for RISC are 10 value orientation groups or SCAN cells and 40 trends." (TNS Emor 2004)

TNS Emor has been very kind to allow me to use the data provided in the reports, which Unilever Baltic LLC has purchased in March 2004.¹⁰

Primary Qualitative Data

The uncovering of the trade viewpoints has been effectuated via semi-structured e-mail survey, telephone interviews and e-mail correspondence. I have chosen to employ this technique as this is an effective and direct way to obtain trade specific information in the spontaneous, practical and dynamic manner, which should reflect the reality and way of working the best. The respondent selection process has been focused on finding people who are experts and can provide the relevant information for the study. No sociological or demographical considerations are considered in the sample selection process but actual knowledge and first hand experience from the market is the criteria. People who work in influential¹¹ positions in retail trade and people who work closely with retailers daily, have been surveyed. The interview questionnaire is distributed to trade specialists and experts in all three Baltic countries. My recruitment standard audience in the Baltics are modern trade representatives at least three expert opinions per country. I have chosen this method due to limited availability of trade related researches as well as my lack of ability to obtain

¹⁰ Owing the permission from Mari Kalkun and Mari-Liis Eensalu to use the RISC reports for reference and analyses. I have agreed not to publish or share the data of RISC with third parties and use it only for study purposes.

quantitative data on that subject. To support the trade development facts I have used the ACNilesen tracking data¹².

Data Transcription

The output of the qualitative data are filled surveys with follow up comments made via phone or e-mail. All the surveys were standardized in terms of questions and then needed the clarifying and specialized questions were asked at a later stage. The surveys are used directly in the analysis, where quotations are inserted in order to illustrate my points. However, the quotations are only used in the analysis if they illustrate a general tendency.

Secondary Data

This secondary data was found in the public sphere and comprises both quantitative and qualitative data: statistics from the Estonia, Latvian and Lithuanian Statistics offices, reports by local banks and reports provided by Unilever Baltics. In addition I used the web bases sources as World Bank, Eurostat, United Nations, Euromonitor & Eurobarometer, Reader's Digest. Also many newspaper articles, books, and other publicly available documents have been used. This data is secondary data, since the I have not created it myself. For this matter, the validity of this data will be assured by an evaluation of the source authority. I have used the common sense and strive using reliable and authoritative information as primary source of the secondary data. It should be mentioned though, that this information is not necessarily neutral. Being aware of this, and critical towards the sources will help selecting, processing and employing the data.

¹¹ Influential people in trade in this thesis will be meant by the people who have decision making power in terms of certain retail chain/shop's strategy (purchasing or assortment, space management or marketing activities towards shoppers)

¹² ACNilesen tracking data used in the thesis is purchased by Unilever Baltic LLC and used here with the permission of the Unilever Baltic LLC general manager Włodzimierz Karandyszowski.

Post Mortem: Reflections over the Data Collection

In general, all activities undertaken during the different data collection and survey yielded the necessary information in order to uncover the deeper laying thoughts and ideas of the respondents. As a general tendency, the open ended questions generated relevant information regarding the trade approach and normative perceptions over consumer reactions.

Theoretical Apparatus

Values

Societies, cultures and values have always been considered inter-linked. The society is made up by its people. The culture consists of the values what people carry within. The values determine our everyday behavior and choices which abstractly represent our culture, for example “Estonian culture”, this is a generalization, what would be a typical or stereotypical for Estonian population. This implies that the society shares similar values and therefore people tend to behave and react similarly to certain stimulus (Dahl 2004). Our everyday life is influenced by the decisions we make and the people around us make. The decisions we make and the goods we purchase talk about our values. Situations that can make us happy or really miserable are judged based on our values. It all depends where we are, where are we coming from and where are we aiming to go during our lifetime.

While different cultures continue to be quite distinct and varied, they are becoming different in a very uniformed ways. In this way the societies competing for global economic and cultural dominance build their hegemony not through direct imposition, but by presenting universal categories and standards by which all cultural differences can be defined. (Wilk 1997) In other words, we are not at all becoming the same, but we are portraying, overacting and communicating our differences to each other in ways that are more widely understandable. The global system is a common code, but its purpose is not common identification; it is the expression of distinctions, boundaries and crossovers. “The ‘local’, ‘ethnic’ and the ‘national’ cannot therefore be seen as opposed to or resisting global

culture, but instead, insofar as they can be domesticated and categorized, they are essential constitutive parts of global future.”(Wilk 1997)

All together there are many schools of value theories and each school is defining the values in their own terms. For example, Bourdieu is saying that values are coming from the early childhood and brings in the term “habitus”. (Inglehart 2002) Upper class taste is developed during childhood and is natural. Middle class always tries to copy but usually is not doing it naturally because the developed habitus (values) are not enabling it. Lower class preferences and actions are determined by the affordability. For Bourdieu very important are procedures not needs.¹³ I would like to look into the value theories of some of the most well know theorists, as Inglehart, Hofstede, Schwartz and Rokeach.

Value theories

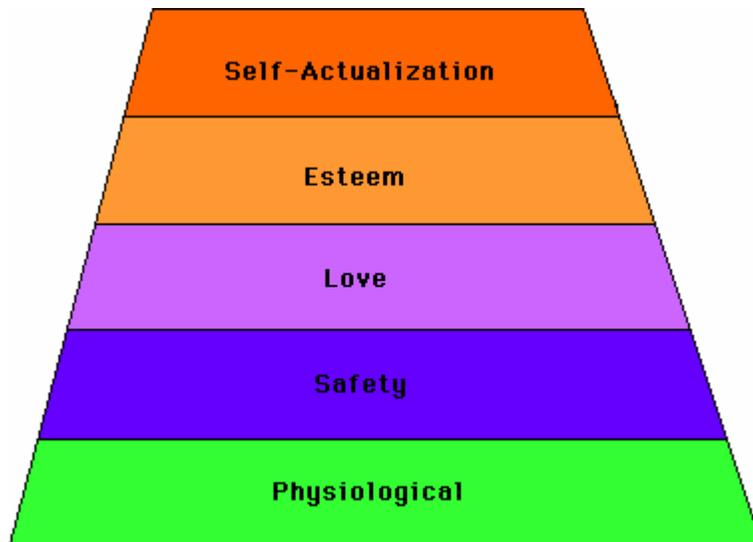
Milton Rokeach

For Rokeach values are independent but can be clustered into groups. He defined values as differently ranked guidance notes according to which people live. He divides terminal values (peace, family, real friendship, love) and instrumental values (tolerance, truthfulness, imagination) and people use instrumental values to achieve terminal values. In his value research he also used Maslow’s theory of needs, where lower level needs should be satisfied first before moving to upper level needs.

¹³ Kalev, Leif (2003): Kaasaja Kultuurisotsioloogia lecutre, Tartu Ülikool

Figure 2.

Maslow's Hierarchy of Needs



Source: <http://web.utk.edu/~gwynne/maslow.HTM>

Rokeach value system is divided to two:

- 1) Terminal values – show the wishes what people have and want to achieve during their lifetime. For example freedom, family security, self-respect and he divided these into self directed and society directed values
- 2) Instrumental values – are helping to choose the right behavior. The values can be for example balance and ambition. Also these are divided in two by interpersonal and self-actualisational (Vahe 2004)

Values can be positive or negative abstract ideas, which are not directly linked to any thing or any situation and these carry individual beliefs about behavior patterns and ideal values (Rokeach 1960, from Vahe 2004). Rokeach is looking values as a criteria, based on which people make choices, justify theirs behavior and create their opinion about other people and themselves and situation. And all new situations are evaluated based on the common values and experiences (Schwartz 1992).

The definition for values Rokeach uses is: “To say that a person ‘has a value’ is to say that he has an enduring belief that a specific mode of conduct or end state of existence is personally and socially preferable to alternative modes of conduct or end-states of existence” (Rokeach 1972, pp. 159-160). Rokeach said that the number of values what a person uses is limited and relatively small. Therefore most people have similar values but the difference comes from the order of the values in value hierarchy. He sees some of the values as opposing and some as fitting. On the other hand Rokeach has shown that the development and influentials of the values come from society in a large part. Values reflect the specifics of the cultural environment, social institutions and the changes what are happening there (Rokeach 1973).

Shalom H. Schwartz

Schwartz is defining values as ‘criteria’, what people use to choose and justify their behavior and judge others and self. He brings out 5 main areas of values and these are similar to Rokeach definitions, the types are: “1. concepts or beliefs; 2. pertain to desirable end states or behaviors; 3. transcend specific situations; 4. guide selections or evaluation of behaviors and events and 5. are ordered by relative importance” (Schwartz, 1992). In his theory the values are compared to needs and his value model is based on the needs. Schwartz believed that values are cognitive representations of three types of universal needs, which applies to all societies:

- 1) needs coming from the biological structure of humans
- 2) needs to manage social connections and networks
- 3) and needs to maintain a group and social institutions

Dominant behaviors and people and occasions choices and how to judge these the values are hierarchy based on relative importance, single values will be gathered to value types.

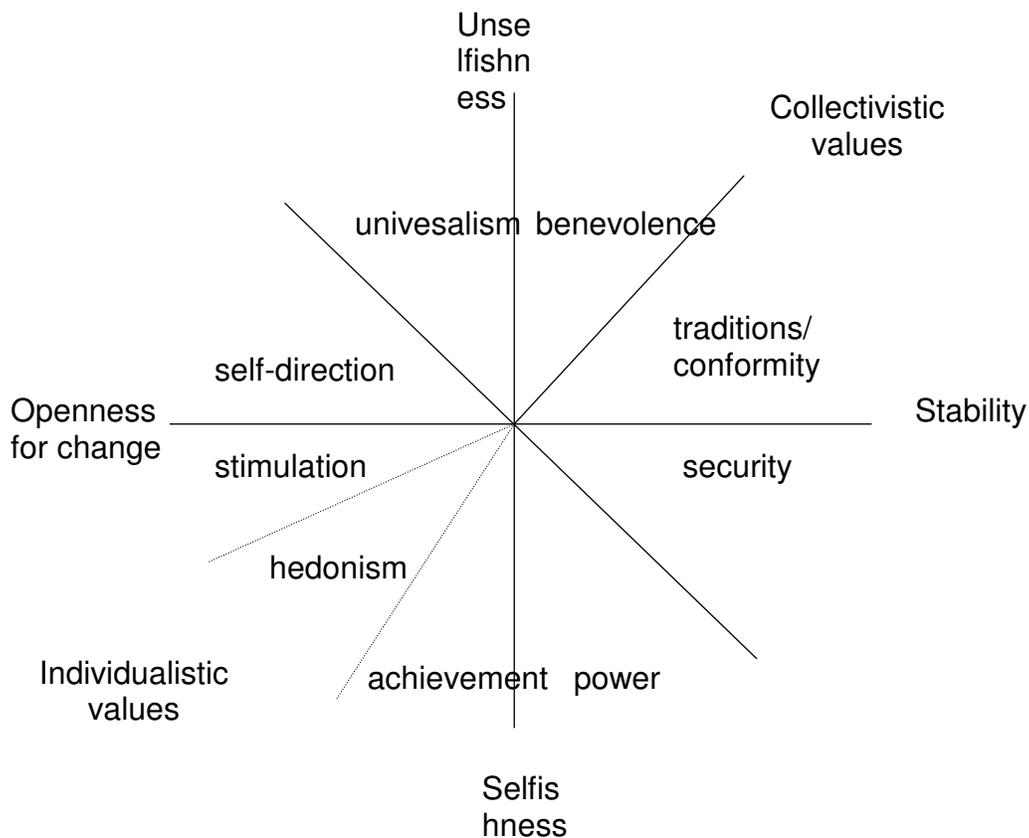
Therefore the needs what people have can be expressed via values and values can be based on many needs at the same time. Schwartz value types division has 52 words and then the values are grouped into “10 types: power, achievement, hedonism, stimulation, self-

direction, universalism, benevolence, tradition, conformity, security” (Schwartz, 1992: 5-13). Schwartz defined 10 individual value types and 7 international (cultural) value types. To come up with the 10 value types Schwartz used some of the Rockeach values and also from comparing different religious texts. For each value type he has chosen the terminal and instrumental values. Which are also expressed via consumption behaviour.

The value structure what is created based on the value types is defined with 3 different type of values. The first 5 value types – power, achievement, hedonism, stimulation, self direction are meant to represent individual interest which are opposed to the value types which represent the collective interest – benevolence, tradition, conformity. Universalism and tradition are standing between the two opposing value clusters. As represented in the below structure. The values on the chart opposing each other are most conflicting (Schwartz, 1992).

Figure 3.

Schwartz values motivation types theoretical structure (Schwartz 1992):



Source: Schwartz, Shalom H. (1992) “Universals in the Content and Structure of Values: Theoretical advances and Empirical Tests in 20 Countries”, *Advances in Experimental Social Psychology*”, vol 2

Different researches done based on Schwarz values model were leading to two based dimensions of human values. Individual freedom and stimulation values from one side and tradition and conformity on the other side – the level of openness to change. It shows to what extent people prioritize their interest in unstable situations vs. status quo. And second is self actualization though benevolence and universalism, opposed to power and hedonism (Schwartz, 1992). Though Schwartz points out that values are abstract the order of the values is also very important.

Geert Hofstede

Hofstede defined the culture as “the collective programming of the mind which distinguishes the member of one group or category of people from another” (Hofstede 1980). Though Hofstede sees the cultures as a collective feature, it also allows the diversity of individual personalities within the culture context. He sees the culture consisting of different layers and one layer is values, which is my interest.

Values for the Hofstede are most well covered layer and they represent the beliefs and ideas that people have about how things “ought to be” and this influences the everyday behavior. (Hofstede 2001). In simple words it is a tendency to prefer some alternatives to others. Also the values in the absolute core are influencing the more visible values (above layers)

In his big research (IBM employees during 1970s) he identified four cultural dimensions:

1. individualism - collectivism
2. power distance
3. uncertainty avoidance

4. masculinity - femininity

And most famous of his dimensions is individualism vs. collectivism. The dimensions can be used to analyze the trends in society but due to generalization does not able to analyze the internal differences in one culture (Vahe 2004). Hofstede defines this dimension as: “individualism pertains to societies in which the ties between individuals are loose: everyone is expected to look after himself or herself and his or her immediate family. Collectivism as its opposite pertains to societies in which people from birth onwards are integrated into strong, cohesive in-groups, which throughout people’s lifetime continue to protect them in exchange for unquestioning loyalty” (Hofstede, 1994 p. 51 from Dale 2004). There are many hypothesis that economic development increases the individualism. Hofstede research actually proved that economic growth leads to increased individualistic values. Also moving from socialism to free market economy we can witness the shift towards individualism. Which is also proved by Inglehart and World Values survey.

The power distance is defined as “the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally” (Hofstede, 1994 p. 28 from Dale 2004). In principle it is believed that the hierarchies in society should be decreased or at least that is desirable.

Uncertainty avoidance is defined as: “the extent to which the members of a culture feel threatened by uncertain or unknown situations” (Hofstede, 1994 p. 113 from Dale 2004).

And then masculinity and femininity which defines as follows: “masculinity pertains to societies in which social gender roles are clearly distinct (i.e., men are supposed to be assertive, tough, and focused on material success whereas women are supposed to be modest, tender, and concerned with the quality of life); femininity pertains to societies in which social gender roles overlap (i.e., both men and women are suppose to be modest, tender, and concerned with the quality of life)” (Hofstede, 1994 p. 82-83 from Dale 2004). This is the least cited and analyzed part of the Hofstede’s theory and it could be because it is misinterpreted or mixed up with individualism and collectivism.

Hofstede has actually one more dimension which is added later on. It is the long-term orientation dimension. Hofstede describes long-term orientation as persistence, ordering relationships by status and observing this order, having a sense of shame and short-term is characterized by personal steadiness and stability, respect for traditions (Dale 2004).

Ronald Inglehart

There has been many analysis for values and values have been tried to link to all kind of human activities whether economy, politics or any development but most of the time the end result is still culture types which are collecting certain value groups. For Inglehart it is the main task to identify and describe the culture zones all across the world.

Inglehart views values as peoples reaction to environment and the changes happening. His view is somewhat different from Rokeach and Schwartz, looking values as some type of orientation towards social and political choices. The values of people depend on which state of development is the society around the person. In his research Inglehart sees a strong influential factor as the religious background of the society (Järvis 2003).

To express the value orientations of different societies he uses the bipolar axes. He divides the values on the axes from materialistic values to post-materialistic values and traditional vs. self-actualization values. His central theory is about 'cultural shift' based on which is based on the change of materialistic values to post-materialistic values. In past decades there has been happening big shift, what can be called post-modernisational shift. There is not one common terminology for post-modernism but during that happens the transition from religious institutions and state organizations to individualism and it stresses more the individual interest, needs, freedom and self expression (Vahe 2004). For Inglehart values are the expressions of peoples preferences and attitudes¹⁴. He believes that values are by

¹⁴ Attitude defined here as the amount of affect or feeling for or against a stimulus.

their nature relatively independent and with different importance according to which people can set their life and make decisions.

The changes in human and society values are not happening over night as the values are developed and learned during the childhood, therefore we can see big differences between different generations. Inglehart said that older generation is more materialistic and it has been changing a lot due to economic growth and stability (Inglehart 2002). According to Inglehart theory we can say that social capital and solidarity is based on generational changes. But also in nowadays fast changing world (especially in Baltics) the value groups can also be formed to certain social groups.

How people define self-expression values are strongly linked to democratic institutions importance in the society. Inglehart said that economic situation of a country and historical prerequisites are supporting self-expression values growth. These values also work backwards and support democratic views of the society.

Even though the economic development level is important, it still is only important for the fact that self-expression values can be developed. The critics of Inglehart see the formula opposite that democratic institutions create the base for the self-expression values to develop. In other words, democracy makes people more tolerant, happy and more interested in postmaterialistic values (Inglehart, Baker 2000). Also it has been noticed that, the economic development is highly correlated with self-expression values, in general the richer the society the higher on the self-expression axis.

Value Systems

As we can see from all the theories that values are actually linked very much with human behavior. As my thesis is about the behavior at the point of purchase. It is a general belief that values are motivations for certain behavior and the motivations are relatively stable. (Vahe 2004) On the other hand there are many researches who say that it is not always true

and often people behave opposite to their values. Therefore it is not possible to predict the behaviors based on the values.

People's value system has a large influence on the way they see themselves in relation to the world around them. We can even say that all the choices people make in their lives are based to a greater or lesser degree on the basic values that are stored in their self-concept. (Franzen, Bouwman 2001) If a person feels very strongly about the value on authenticity, when looking at the pasta shelves in the supermarket she will automatically look for grain on the package. If the person loves renewal or innovation, she will immediately notice a name or package she had not seen before or, one that looks different.

In large picture there are two main schools of value approaches, Inglehart and Hofstede, who research the values as peoples reactions to external environment. And second school of Rokeach, Shwartz, Kluckhohn who define values as desirable transsiutational goals, varying in importance that serves as guiding principles in people's lives. It expresses itself in different spheres of social life.

Most sociologists agree that cultures and individuals can be described by their value systems and priorities. Therefore I would reason that people or societies reactions to certain stimulus are also reflecting their values. In certain culture zone the things which excite and upset people are similar and these reflect their value system. In terms of mass markets, the appeal will be made of common values and their priority values will be 'fed'. And therefore mass culture is created based on similar base values (Inglehart 2002).

Hofstede values theory and model has for my theme several advantages which is derived from culture patterns. In his theory Hofstede said that social systems can exist only because human behavior is not random and therefore behavior is to a certain extent predictable and influencable (Hofstede 2001). This statement is very important for me in analysis the consumption behavior. It clarifies for me the relations of values and enables to look at the

distinct value set's for my research. The core of the model and theory is the 'mental program' what people in a particular culture area have.

Hofstede uses in his book to define value in the anthropological definition cited by Kluckhohn (1951/1967): "A value is a conception, explicit or implicit, distinctive of an individual or characteristic of a group, of the desirable which influences the selection from available modes, means and ends of actions" (Hofstede 2001 p. 395). And what is important in the Hofstedes theory is his view that different values can be activated in variety of situations. As well as the fact that people hold many conflicting values as well, which then be giving impulses to behaviors in different conditions and situations. Therefore the behavior can be very much situational and derived from the external impulses what a person or a group receives.

The predictability of human behavior in Hofstede's theory gives marketers, politicians or retail owners a reason and tool to create certain conditions for the better service. But it all comes down to a level to which it can be assumed and expected that people behave based on certain stimuli in a similar way. Hofstede said that "we make such a predictions continuously/.../. But for each prediction of behavior, we try to take both the person and the situation into account. We assume that each person carries a certain amount of mental programming that is stable over time and leads to the same person's showing more or less same behavior in similar situations. /.../ The more accurately we know a person's mental programming and the situation, the more sure our prediction will be." (Hofstede 2001, p.2) In the study of social reality there are many ways to approach and absolute objectivity is not possible in any of the cases but one of the way to look the 'program' of human mind is to see it thought the value prism. Non of the person's value set and program is identical but some generalization is possible on the culture level.

In my analysis I will be using the two school approach. The order of the value and inner motivations from Schwartz and Rokeach based on the RISC data analysis of Baltic consumer values. The approach of external influences of values by Inglehart and Hofstede

are looked through the trade influential angle and view on shoppers and market, the structural analysis and external conditioning. The values are so multi-dimensional that my aim is rather to bring together these theoretical approaches rather than finding differences and contradictions. In combining the retail trade theory with value theories in empirical data analysis, is in my opinion the most cohesive way to look at the complexity of the problem solution.

Retail Trade

Shopping experience

Retailers use to focus very much on similarities of shoppers across borders but nowadays an effective retailing will require understanding and adapting to the differences among consumers in different countries. (Mooij, Hofstede 2002) The assumption has been that over time all the markets will harmonize and consumers prefer standard products with high quality and low price. Which has not been the case for the past decade, though sometimes it seems so, when we look at the growth of discounter type of outlets and 'private label'/'DOB'¹⁵ products. That assumption is based on the argument that consumer behavior is rational, however it has been found out via researches and it is increasingly evident that shoppers across countries do not make rationalized purchase decisions. (Mooij, Hofstede 2002) As this would mean eliminating any cultural differences between nations.

It seems logical in terms of the extended European Union and common currency (to come), that the Europe as whole will be more similar, not to mention small regions as Baltics. It is expected by international marketers and retailers that people will increasingly eat same food, and wear same clothes but the reality has proven to be different so far. (Mooij,

¹⁵ Private label and DOB (distributor own brand) is retailer own brand. The retailer uses its own brand to sell staple products, which are packed by co-packer or sometimes even in the factories of the big brands, where the products end up on shelf competing against each other. Private label is in general cheaper or the cheapest product available. Most of the time it is the product in its simplest form in term of packaging and product quality. Though nowadays in Western Europe the private labels are becoming increasingly more sophisticated.

Hofstede 2002) Rather we can witness the diverging of behavior towards consumption, and usage of many products and services. Consumers are becoming ever increasingly knowledgeable, demanding and environmentally conscious, which can't be ignored by retailers.

It is often assumed that it is the role of consumer to consume and the producer to produce but then what happens in the chain of production to consumption. What is needed to get the consumer to consume and to consume a certain product. (Wikström 2004) The place where the decision is made and a product choice executed is in the store. The first direct encounter and experience with the product. What kind of experience is expected there? Consumer can derive a positive utility from the process itself, as well as from the end result. So Wikström introduces a model for four motives of consumption categories. He argues that “the various consumption patters can best be understood by considering the functional and the underlying psychological motives simultaneously and evaluating all consumption in light of them both.” (Wikström, Elg, Johansson 1989)

Figure 4.
Consumption definition at retailer

Degree of necessity	High	Basic Consumption	Refined Consumption
	Low	Routine Consumption	Supplementary Consumption
		Low	High
		Degree of stimulation	

Source: Wikström Solveig “When products and services are not enough” ECR Journal, International commerce review, Vol. 4 Nr. 2, Winter 2004

This model is a good way in understanding the consumption in FMCG market, as most products are purchased based on necessity or impulse (stimulation), which is often triggered at the purchase situation. Basic consumption usually provides limited personal

limitation and is regarded usually as indispensable. When looking at a very interesting part of the consumption, which is low in necessity as well as low stimulation, the routine consumption, it would seem that nobody should use products of this category. If the product is not needed and does not offer anything special, why to consume. Still this consumption happens more often than recognized. As an example could be, buying evening newspaper or TV guide, which is often not read or used but bought out of habit and routine.

The refined consumption is something what consumer as well as producers and marketers aspire most, to offer or use something what is necessary and stimulating. Though it does not happen that much either in FMCG. As an example can be an special occasion meal, where a shopper will buy special gourmet foods or items. The supplementary consumption happens when there is a need to treat oneself or others. To do something special, which is usually highly related to emotional stimuli. In conclusion, the experience is made most pleasurable by four key elements: personal interest, activity, closeness/togetherness and newness/novelty. (Wikström 2004)

Theory of retailing

The developments at retail market are very rapid in past five years and there has been lot of stores and even big chains, which have not managed to understand and meet the consumer where the consumer demands and expects them to be. Consumer have ever increasing expectations for the retailer where they shop. The stores that aren't best at anything, and they don't have a distinct or sharply defined shopper proposition are doomed to disappear. The immediacy of the retail business and the consumer's response to retailer's offer create a constant scorecard with which to measure success. This can be done by having an in-depth understanding of the consumers values, because values exist in the society are expressed by the behavior principles in a specific situation. (Hofstede 1980) And the store itself conditions people to activate certain value areas which simplify and rationalize their choices, which are done by routine or impulse.

Clearly, consumers have less time to shop. They are also more knowledgeable about the products they buy and brands they prefer. They have more choices than ever before. Surely people still shop also at mediocre stores, most likely due to habits or sales promotions or they just have not bothered to find a preferred store yet. Finally being close to home, the argument which I can't omit about the retail – LOCATION. Though there are several researches, which show that if the location is the only advantage of the store, it is not sustainable and someone else can always get closer. (Mowen, Minor 1998)

A retail store MUST's in being successful in long-term are:

- clear positioning
- focus on core shopper proposition
- commit from top to bottom of the organization to that position
- communicate that positioning to shoppers
- base strategic and day-to-day operational decision on that positioning

The game is to be unique, better and special in a specific area and carrying it out rigorously. (Berman, Evans 1995)

Along the way there are also pitfalls, for which to pay attention to. Two things to look out for in developing a winning strategy for a retail shop or chain is:

- critical mass – FMCG retailing is build on cash flow and there has to be significant number of consumers who find the proposition relevant enough to visit the store and buy and buy enough and often enough. As an example could be the positioning as the most beautiful store, indeed, shoppers like a nice environment. But will there be enough shoppers who would value it enough to make the business profitable. To position for the mass market is very important for the retail chain.
- trends vs. fads – in rapidly developing markets, it is easy to mix fads with sustainable consumer trends. A retailer would not want to position oneself into the fad, as it has a very short lifecycle, which main consumer trends are sustainable and growing. For example it would be dangerous position the shop as the 'biggest store' as the bigness is loosing at certain point relevance. People do not want to spend an hour and half to walk

though the shop to get its milk and bread. More likely success trend could be ‘quickest’ cashiers or ‘convenience’ as people are increasingly rushing and wanting to spend less time at duties or routine habits. (Berman, Evans 1995)

American retail specialist have proposed five areas which the retail store can position itself on, to be appealing to mass market and generate enough turnover. (<http://retailindustry.about.com/>)

- assortment
- price
- fashion/entertainment (big shopping centers with lot of other functions available as well)
- solution oriented services (eg. best culinary shelves or kitchen of ready made food)
- speed oriented services

Indeed there are also very successful food stores being the finest and highest quality products at an premium price but most successful retailers today target to the masses can clearly be defined by one of the above mentioned propositions. All retailers must provide a base level of competency across all the factors critical to the shopper but the successful ones are these who have found and are owning one of the key ones. The important thing here is OWNERSHIP of the proposition. (Wikström 2004) It has to be carried out in every way and consistently though the system from communication to displaying the goods.

The situation often happens that a retailer is trying to satisfy all core consumer request as lowest price, the best service, the largest selection and ends up loosing the game. It is not profitable proposition to try to be everything consumers want. It is important to focus on the real and most urgent need of a core consumer. Which requires a very clear understanding who is the core consumer in for the retailer and to capitalize on these consumers. (Mooij, Hofstede 2002) This is all for very clear reason both practical and empirical, it is impossible to be best in all the key consumer attributes. Successful retailers have put this practice into action already. One of the best example are the discounters and their tremendous growth. They focus on ‘everyday low price’ on the expense of nice

displays, large assortment, simple store layout, longer lines at the cashier but consumer expect a low price and all the other matters are not that important and are forgiven. And even if the retailer somehow manages to be best in many areas, it is usually not sustainable because achieving and maintaining the ‘super’ proposition required heavy resources and financial commitments. (Berman, Evans 1995)

When it comes to making it happen on the shop floor it takes a bit different angle. As when to ask a shopper, what do they expect, the basic answer is “to find the product & brand what I am looking for in the shop”. (Unilever customer satisfaction survey 2002) Can the retailer then just focus on assortment planning, stock management and order planning. For that are developed many systems to help retailers to manage like ‘Just in Time’, ‘Replenishment’¹⁶ but this is nowadays not enough. The other factors which have also great impact are: price, shelf space, displays, brand, visibility, promotions etc. And often retailers outsource the retail category management to a chosen category captain. That is driven by the Pareto rule of 80:20 with justification that 80% of the turnover is generated by 20% of products/brands on the shelf. In the optimization game for retailer it is important to make most use of the 20% of the products to stimulate the sales and profit generation.

Store layout

Every retailer knows store layouts can dramatically affect both sales and consumer satisfaction but what is the ideal ‘store layout’ and what are the trade-offs. If “store atmosphere” is one of the most important influencing factors of consumer perception and attitude of conventional retail stores (Vrechopoulos 2004), it allows for retailer a great opportunity to influence the choice of the store and the choices made in the store.

¹⁶ Just in Time – production and delivery of goods/parts in one way that they reach the location when these are needed; Replenishment – the system then only so many goods are ordered how much are sold and delivered in short time and exact quantities (eg. no stock keeping).

Today in conventional retailing there are three major layout types available and commonly used:

“(a) Grid – this layout is a rectangular arrangement of displays and long aisles that generally run parallel to one another. It allows the most efficient use of selling space because the total product display space is significantly increased in comparison to other types of layout. Grid layout simplifies the shopping by creating clear, distinct traffic aisles. It facilitates routine and planned shopping behavior and is commonly used by conventional grocery stores.

(b) Free-form – this layout arranges displays and aisles in a free-flowing pattern and asymmetric fashion, employing a variety of different sizes, shapes and style of displays. It is mainly used by large department stores (e.g. fashion stores, duty-free stores) or smaller specialty stores in which a “shops-in-a-shop” distinction among several departments is important. Free-form is an easy to use layout as it offers shopping convenience and increase the time that consumers are willing to spend in store.

(c) Racetrack – this layout arranges the sales floor into individual, semi-separate areas, each build around particular shopping themes. The racetrack often also called boutique store layout leads the customer thought specific paths to visit as many store sections or departments as possible since main aisle/corridor facilitates consumer movement in the store. Consequently, this layout encourages shoppers to move throughout the entire store and to visit more departments in comparison to other alternative store layouts. Consumers are exposed to more promotional activities than in stores employing the grid or the free-form layouts. Overall, this layout offers an unusual, interesting and entertaining shopping experience and increasing impulse and promotional purchases.” (Vrechopoulos 2004) The last mentioned Racetrack layout is also most used in Baltic super- and hypermarket layouts. The aim of a retailer as well as the producer is to offer as many additional products and sometimes also services during the time when a shopper is at the premises of the retailer. And the success of this type of shops is proven by the growth of retail sales figures in correlation of the market consolidation to the super/hyper market chains (AC Nielsen). On the other hand the “Grid” layout is used often by discounters due its simplicity. Also we can see that the retail trade volume is increasing in new EU countries as Baltics and is

lower in ‘old-Europe’. The activity of retail market is reflected in the growth volumes of purchasing.

Table 2.

Volume of retail trade in Euro-zone and the Member States

% change compared with the same month of previous year

	Aug -04	Oct-04	Dec-04
Euro-zone (old EU)	-0.1	-0.6	0.3
EU 25 (incl. new members)	1.9	1.0	1.6
Estonia	11.4	9.3	11.9
Latvia	10.5	9.7	10.6
Lithuania	7.4	9.4	7.4
Poland	3.7	-2.0	2.6
Finland	3.0	2.3	5.3
Netherlands	0.3	-2.9	0.0

Source: Euro-indicators 31/2005 – 4 March 2005, Eurostat

In the context of stores is also a good chance to discuss the attitudes related to the experience. In the relation to where the shopping is done the conditioning also is influenced by situational meanings (Franzen, Bouwman 2001), such as:

Usage moments:

- time of the day
- day of a week
- season
- special occasions or holidays

Usage situations:

- social context (alone or with other people)
- physical situations (at home, indoors, outdoor, public place, etc.)

The situational factors can become very relevant in the context as they either support or distract from the ideal representations of related values to the consumer. It can be that

during the festive mood of going to picking (Jaanipäev) the displays of cereal and soap bars which are on promotion and display, for the retailer, this kind of mistake can lose a great selling opportunity as well as create an uncomfortable feeling in customer, which can postpone next visit to the named store. The same time supportive situational factors can have tremendous effect on added value to consumer as well as to retailer. A good example could be here the whipping cream and strawberries campaign run in Denmark during the 'strawberry season', where the products were placed together and endorsed with promotional message. The sales were increased during the 2 weeks campaign period by 400% (Unilever sales & promotional database 2004). The representations of brands/products/situations in memory often resemble representation that people make of these conditions in their mind/memory and sometimes keep there for years. (Franzen, Bouwman 2001)

Consumption

Often consumption is considered one of the key indicators for countries of their economic situation and it is followed as a trend of the consumer confidence. The growing consumption supports the money circulation in the system, which helps to create further wealth. "A century ago most people saw production as the place in which our identity is rooted – as workers or owners. Two decades ago there was a struggle over identity forged in relation to the means of distribution – whether we identified with state socialism or the free market. Today, however, there is an increasing realization that the key domain is neither production nor distribution, but consumption, because that is the one arena where most of us still feel we have some power left to influence whom we might become. This makes the domestic arena, the main site of consumption, of considerable importance."(Miller 1997)

FMCG goods purchasing is usually based on habitual behavior and the consumer will routinely purchase a particular product. Some convenience goods, however, may be purchased impulsively, involving no habit, planning, or search effort, these are the products

which one can find close to the cashiers. Consumption can be a habit, obligation or duty as well as pleasure. (Fine, Leopold 1993)

Theoretically, knowledge of the consumption patterns of all households in the economy should enable government officials to predict the consequences of changes in taxation or government spending. The difficulty lies in predicting the behavior of consumers. In my thesis, I will not focus on the economic effect of consumption but rather on the social consequences of consumption choices.

“Motivation forces acting either on or within a person to initiate behavior. The word is derived from the Latin term *motivus* (“a moving cause”), which suggests the activating properties of the processes involved in psychological motivation.” (Britannica 2003) Many disciplines are studying the motivational factors and drivers to explain often quite irrational behaviors. I believe that most of the stimuli and force are coming from the values, which are engraved, into the people. These are the common values which people get with the culture and are fairly stable and possibly also quite universal. (Mowen, Minor 1998) Growing up and living in a society will give to the members of the society certain set of underlying behavioral principles which guide our everyday choices.

“Consumption should be understood as a social activity, which has increasingly become more important than either production or distribution as the site through which we change and develop our social relations. Consumption, then, is more than just purchasing, it is better understood as a struggle which begins with the problem that in the modern world we increasingly live with institutions and objects that we do not see ourselves as having created. We start then with a kind of second-hand relationship to the cultural world. We may not, however, accept this passively; our aim is often to appropriate and to use these forms for our own purposes.”. (Miller 1997) I would add that contemporary marketing is based on values and successful marketing is the one, which can appeal to values and communicate accordingly to sell the “goods”. In general pseudo needs are not created as it is too expensive. It is much more simple and cheaper to know the existing values and needs

and appeal to these. But in-depth expertise of leading values and insights are needed in order to develop something to satisfy and get attention for these needs. And the expectations come from the driving values. Will the decision in the shopping premises be made by hedonistic values or security driven values. (Schwartz, 1992)

Consumption as a culture

Of course there are much more behind the shopping experience as such and going deeper into the shopping “act”, can probably explain the choices of impulse products and everyday goods. According to the influences, which come from internal set of values and the external stimulus, which are affecting our value system. (Schwartz 2002, Inglehart 2000)

Though the shopping as such is something very common, it is often perceived as something low tier activity. If it could be avoided, would be best, as it adds nothing to persons life. “One of the most common arguments is that, in this modern materialistic and capitalistic world, an orientation towards objects has so replaced an orientation towards persons that, instead of objects symbolizing people, have now become merely “lifestyle” – that is, the passive carriers of meanings which are created for us in capitalist business. In most of these models. Consumption appears as merely a continuations of the forces of capitalism and bureaucracy which destroy local difference in the name of global homogeneity, or more recently, foster a diversity which sells good but has no real depth or continuation to make to cultural developments. (Featherstone, 1991; Miller, 1987, pp. 163-77)” I would like to disagree here for a very simple reason, that in my view the everyday small routine rituals talk a lot about a culture and values of a certain group of people. It is a way of expression of our lifestyle, expectations and little weaknesses.

Socializing

Socialization as an interaction use to be one of the main values satisfied while shopping. Already in ancient times, go to market place was a special occasion. People dressed up to meet other people, buy things that are needed for the everyday existence at the same time, allow oneself or others something little extra (a sugar-cane for the kids or a pint of beer with lads). The pleasure of going shopping in the market was not to get the goods but to meet other people, have a chat, be seen and recognized. (Miller 1997) Markets have remained until nowadays of high importance. In more primitive and poor societies the markets are still the main “shopping centers”, while in Western type of societies it is a more rare and not always appreciated to its core essence. It is considered often as a cheap place to get the goods and not a place to go and have a nice chat with the merchant. The market in its principle is entertainment and socializing center, where at the same time the needed goods can be bought. Market can make the consumption as a event.

The shopping is becoming more and more as ritual, e.g. every Saturday families go to shopping center and the ritual is almost engraved into the family traditions. Hours are spend with a ‘holy’ goal to find something either needed or cheaper or treat oneself. It is considered important to do it together as a form of leisure time and getting together (family time). According to RISC values study, it can be more seen with females as men still would prefer to sit in pub for their main point of socialization. On the other hand the younger generation is spending more time in stores and just the kind of store is different. Regardless of the end usage of the goods purchased, the ritual is to go out with friends and browse the shops. (Mowen, Minor 1998)

For FMCG goods the purchasing occasion is less of a social matter, especially among younger people and in urban areas. The big super and hyper markets make the shopping very impersonal and often seen as ‘factory’ like process. (Fine; Leopold 1993) Shopper enters, gets its goods and quickly is checked out without much socialization. The queue numbers at the meat counter and quick check out are some example of that. In rural areas,

shops are still the places, where to hear the latest gossip and get good advice on something. And often it is such a routine and standard pattern that nothing but socialization is expected. People know what they buy on Wednesdays and what only on Saturdays. The human contact is brining the experience alive. Seen and being seen is one of the basic need of human being as a herd creature. The need for attention and shearing the experiences, views and opinions to feel valued is what people seek not only at work place or during the daily duties but also in going out. (Schwartz 1992)

For the trade it would be an important observation in terms of keeping the ritual 'holy' and standard. Big changes on the shop floor could disturb the purchasing process and frustrates consumer (Hofstede), not necessarily helping to increase the sales. It is all right to put few barriers on the 'pilgrimage' of a shopper to trigger them to buy few things, which they really don't need but nice to have. Changing locations were goods are often is not appreciated by the shopper as the goods are low involvement and people would like to keep it like that. Here is again a chance to look into Hofstede's value models, where uncertainty avoidance is something to consider. No regarded as complete resistance to change but the extent of change is important (Mooij, Hofstede 2002)

Kluckhohn's key idea was that what makes cultures different is not simply what they believe the world to like, but what they feel one can justifiably demand from it. (Graeber, 2001) People like to consume, create expectations and work on achieving these, to feel the satisfaction of fulfilling the values. Here comes in the consumption as one of the easy ways to get something back. Owning and getting more things, emotions and experiences is desirable for many people and exhausting the world is often valued highly. The expressions such as "I live only once", "I deserve it" and "Money comes and money goes" are the justifications for consuming. Getting something out of life is often channeled into consumption because it is so easy.

Place

Another aspect of consumption is the place itself. There are many sides to the location and place, like where the shop is located, where the consumption takes place. Furthermore, where the product is produced in other words the country of origin. Looking at the location of the consumption. It seems to me the ritual becomes more holy the longer people travel to get their product as well as it is OK to pay more for the product if it is purchased further away. The shop or market close to home is so well known that it is not special any more. Everyday purchasing is done there, it must mean that it is not that special. (Fine, Leopold 1993) Over the weekend, there is more time to go and visit the same chain shop on the other end of the city and buy the same products and feel more special. It is ok to pay more for the products (same products) in Stockman than in any other shop.

It is often believed that location is the most important element in retailing success. A good location may enable a retailer to succeed even if its strategy mix is relatively mediocre. (Berman, Evans 1995) I would like to argue here that this kind of thinking is outdated, location can give an advantage in places where the choice of shopping is limited anyway, in small towns or poor areas, where convenience and closeness become crucial. But in the cities and larger communities location has lost some of its relevance. It is rather the convenience in terms of parking, accessibility (no traffic jams around the store) or other services around. Regardless of that the location does not lose its relevance in the total context of FMGC landscape.

Indeed the choice of location requires extensive decision making by retailer due to number of criteria's to be considered. These include the size and characteristics of the surrounding population, the level of competition, access to transport, parking, attribute of nearby stores, property cost, population trends, legal restrictions and other factors. (Berman, Evans 1995) The decisions about locations are very important because of the fixed nature of the investment. The store location is the least flexible element of retailers strategy mix. In

contrast assortment, service, advertising or pricing can be modified rather quickly if the environment or shoppers demand it. (Wikström, Elg, Johansson 1989)

The location as such has two elements in it for retailer to be considered. The impact on long-term and short-term planning. In the long run, the choice of a location affects the companies overall strategy. The choice of location should be consistent of retailers mission, goals, strategy and target market over an extended time period. Retailer needs to monitor the trends and changes in population to make sure the concept fits the location and adapt if necessary accordingly. In the short turn, store location influences a specifics retail planning mix like prices, assortment, promotion and so on. (Berman, Evans 1995) For example the store located in the city center close to offices will have relatively less pedestrian traffic on weekends and bigger pack sizes would not be the main purchase article, rather the on the go impulse products/package types. In terms of stock management and merchandising the location management within the retailer is crucial for the cash flow and overall success of the store.

Acting out values

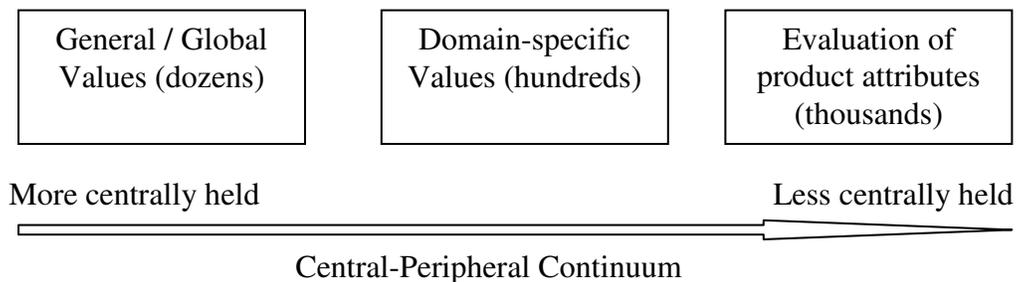
The other idea, what can be looked into while studying the consumption values is the action as the expression of value. The value gets meaning only through action or a thing, which is acquired. The value expression refers to how people express their central values. The expression of attitudes may even help an individual define his or her self-concept of others. (Mowen, Minor 1998) Could it be that value would not exist separately but only in action, it has no meaning as an idea but only if it is acted upon. For example, if one values family relations very highly but has no family on him/herself, it can not be real value. On the other hand, if one values self-expression highly and spends all his/her free time in creating art or some other kind of performances, it becomes real. Could be it same in consuming? That one goes to market to socialize rather than get exactly the right kind of goods or buys a treat for oneself to feel special and recognize oneself. Or can I still call upon values, which are only claimed. For instance, environment is of high value of a person, though the same

person uses lot of plastic wrapping, never recycles and separates garbage. In my opinion, the actual value can be evaluated by action only. Passive claims can show the way people want to be seen but not their actual value set. (Willmott, Nelson 2003)

Many researchers distinguish three main types of value systems in consumption: general (global) values, domain-specific values and product attributes as values. The general or global values are usually the values which determine persons whole outlook of life and influence also other value systems what person carries within. These are closely corresponding with Rokeach’s terminal values, consisting of enduring belief’s about desired states of existence. (Mowen, Minor 1998) Domain-specific values are related to specific consumption domain¹⁷ and product values are describing the product ‘personality’ or how the product is meant to be perceived. And the product values are visible only thought the expectation consumers has about a certain attribute of a product. “Product attributes are less abstract than general and domain-specific values, and consist of descriptive as well as evaluative beliefs. These beliefs play a large role in the purchasing decision of consumers and can vary strongly among consumers.”(Franzen, Bouwman 2001 p.206) According to many authors of value studies the general values are important in terms of economic, social and religious actions and people develop these values though specific experiences in different domains or situations. (Schwartz 2002, Inglehart 2000)

Figure 5

Individual’s Belief System



Source: Mowen, John C. and Minor, Michael “Consumer Behavior” pp. 566

“Parts take on meaning in relation to each other, and that process always involves references to some sort of whole: whether it be a matter of words in language, episodes in a story or “goods and services” on the market. So too for value. The realization of value is always, necessarily, a process of comparison; for this reason it always, necessarily, implies an at least imagined audience.”(Graeber 2001, pp. 86-87) Action is the medium to communicate value. Only through the action the value can appear and the priorities can be defined. And as I have started to turn the concepts around, the other angle is that the society is actually created by collective value actions. The group who are acting the same value out the same way and start creating communities which expand and build up the totality of the society. As Graeber described it, that society is just the process thought, which all activities are coordinated value is the way people express meaningfulness to certain activities.(Graeber 2001)

Here I would like to share an example how controversial can acting based on ‘claimed’ values can be. In general it is perceived that food products from home country is better, which is also fostered by the local producers strong marketing support. Many awards given out to products produced locally eg. “hea ja Eestimaine”, “aasta toode”. Then the question comes: When does a local product become local? For the example could be, Põltsamaa juices, which are produced in Estonia, often made of foreign concentrate and imported sugar, as well as the producer is belonging to Norwegian investors group. As the brand is Estonian, it seems to qualify as local. Then again if we take Coca-Cola, it is produced in Estonia of imported concentrate and partly imported sugar. Foreign owners but fully local production, could never participate in local product awards competition. From this we can see that most of the consumer choices are made emotionally based on the internal judgements of what is good, bad or socially acceptable. The value of local is twisted and action is not proving the value itself.

¹⁷ Consumption domain meant here as situation and/or location where the consumption is taking place.

Change in Values

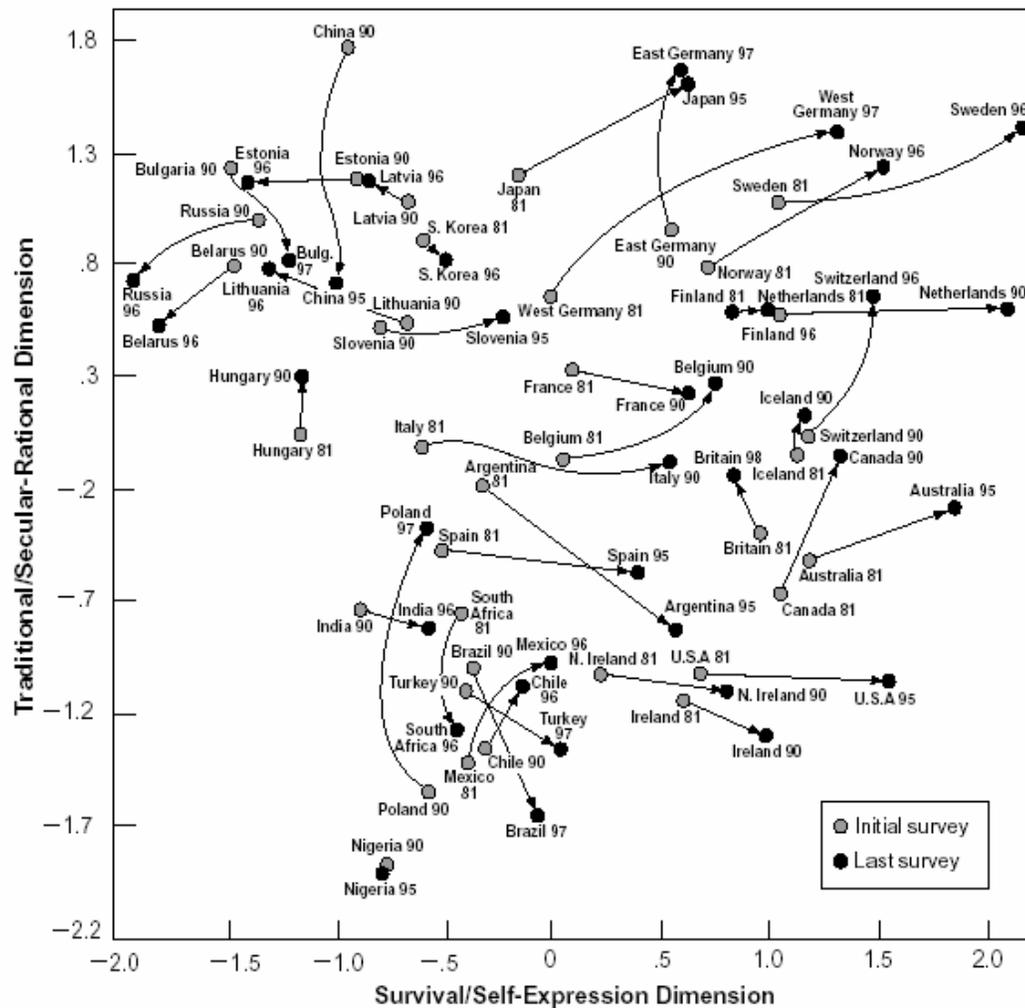
There are changes, which take place in shorter time period and are changes that take more than several generations to shift. And still (despite of cross border media and extensive travel) there are large differences in value systems in Europe and in Baltics as value systems are strongly rooted in history and appear to be resistant to fast or large extent changes. Although there is evidence of economic systems, there is no evidence of value system converging. (Mooij, Hofstede 2002)

Value changes are in short and long-term influenced a lot by economical forces. And tend to move towards “postmaterialist” values with a growth of economic wealth and political stability. Modernization theories imply that when societies develop economically, the values tend to shift in a predictable manner. Most of Western European countries have high tendency towards “postmaterialist” values. (Inglehart 2000) This also influenced significantly by the age groups. Younger people tend to have higher “postmaterialist” values. The societies, which have been under the communist power during past century have strong effect on its value systems, like Baltic States. And according to the Inglehart and Baker model the communism heritage has strong statistical significant negative impact on survival/self-expression values. (Inglehart, Baker 2002)

The pattern of changes in the society is strongly linked in Inglehart research to economy. In the figure below, where we can observe the shift of the values between 1990 and 1996 for Baltic countries, we can see a shift towards the survival values. During this time all the post-soviet countries experienced economical decline and hardship. However the break-off from Soviet Union was an event, which disturbed the economic development but has reversed now and the shift towards secular-rational values. (Inglehart, Baker 2002)

Figure 6.

Changes Over Time in Location on Two Dimension of Cross Cultural Variations for 38 Societies



Source: Modernization, cultural change, and the persistence of traditional values Inglehart, Baker 2002, p.40

“It has been clear from the outset that value changes do not reflect long-term forces alone. The major long-term force that drives Postmaterialism upward is generational replacement, the gradual process though which younger cohorts with relatively Postmaterialist values replace older cohorts with heavily Materialist values.” (Abramson, Inglehart 1995, p.140) As Inglehart also himself argues that it is not solely true as the short-term changes are not

included into the above statement. There are other forces that influence the shifts in value trends and are not related to age groups movements. The speed of changes in values is very slow and gradual. In societies where the economy is growing fast and the political landscape is unstable the changes can be much more drastic and speedy. On the other hand, after bigger shift in values there is stabilization period, for people to get use to their new condition and convictions. I would like to claim this based on the value trends from RISC survey results, where Baltics values shift has been quite rapid at the end of the nineties but now is slowing downs significantly. The big movement in values can not be sustainable due to human nature and strive for stability and harmony. (Rokeach 1973, Hofstede 1980) Therefore I believe that the short-term value change period is over for Baltic's and now more prevalent will be the long-term generations changes. It can be also verified of peoples less interest in politics and low social participation. The accession to European Union was taken fairly easy by Baltic population. The debates which were held in the press were slow and not with high participation as people are tired of change and new values.

One of the common concepts in social sciences is the basic human personality structure, which is developed by the time of adulthood and there are relatively less change after that. (Inglehart 1990) I would like to add also, that any bigger change in life could be a trigger of a major change in value structure of a person. This is to try to resolve collectively the structural problems in the heads of young people, to understand and define the world, the right and wrong.(Brake 1985) I see it as trial and error method for testing what is given from home and school. It has to be tested in the group, as we are collective heard creatures. It is relatively easy still to change the point of view, as the time to get use to the values which are given from home are still new and fresh. Then it is also understandable that after settling with person core identity and values the peer group looses some of its importance. (Schwartz 1992)

Changes in Baltics

Looking at the Baltics, it is clear that there is no one Baltic nation. There is not even a common language. People are different and the development of markets has been different.¹⁸ One important factor lying behind the differences in the markets are the basic values of people. “The persistence of distinctive value systems suggest that culture is path-dependant” (Inglehart, Baker 2002) That suggest that the differences in Baltic countries will remain and as these have been established, are linked to religion, national culture, language and are forwarded to generations via the educational system and mass media and the nation stays as unit of shared experienced. The changes happen within the unit and are shaped by social institutions. (Inglehart 2002)

Baltic countries have experienced a rapidly changing political, economic and social environment during past decade. It has had the strong influence on the values and the directions the values are moving. Because of the big movements and changes, people had to be more flexible and adaptable to the new situation, it was not left to a choice but society forced total population to move along with fast changes. It has been relatively easier to the younger people, at the same time older population which values, lifestyles and habits are more formed, struggled with big changes. Though values are considered fairly stable there have been periods in the history where values change fast, like industrialization, World Wars and in the Baltics the regain of the independence and the period following that (the move from socialist state structure to free economy during past twenty years). At the end of the nineties the RISC studies have shows again the increase of the post-materialistic values.

The modernism shift in culture and values in Western societies changed step by step then in transition societies as Baltics States several modernization levels exist at the same time. For international comparison it is important to consider the great political, economic and cultural changes which have taken place in past decade and two. The value orientations of Baltic societies are much more dynamic than compared to old Europe and Nordics.

(Lauristin & Vihalemm 1997, from TNS Emor report) The rationalism and egocentrism go side by side with hedonism and social values. Different western value trends are still mixed with old soviet type of values. The conflicting views and unsatisfaction of current status is hindering the development of homogenous society and unified value tendencies.

The networks and socializing on the private, free time spending level has decreased significantly. To be part of community is still valued and needed by people but the need is not met in a traditional terms. (RISK 2004) So people use as one of the tool consumption, to show their belonging to certain kind of “invisible” community. It is a statement of belonging ‘I shop in these shops and buy these brands, that’s why I am part of these people’. In Inglehart “World Value Study” he noticed that in the 1990’s the people most unsatisfied with their life were not the lowest economic situation countries but the post-soviet countries. Inglehart (2002)said that even in best developed countries from former Soviet Union like Baltic States, people were less satisfied with their life than people from the poorest parts of India.

Rapid changes have been hard for certain part of the population, especially minorities who are not well integrated yet and change by default creates uncertainty, which people try to avoid and therefore also the optimism has been coming down. As the current free market economy is also promoting the ‘manage yourself’, ‘fight for your right’ and ‘who’s first is the best’ mentality the collectivist mindset is giving way to individualistic mentality. (Hofstede 2001) For many people it is hard to get use to and relying only on oneself is difficult for the lower income group and older people. There is no strong state support system which use to be something people can relay on. Though the national wealth is increasing, not all people still benefit from that and the change of values is not happening so fast. The instrumental values are dominating, which should help to choose the right behavior for new conditions. (Rokeach 1973)

¹⁸ Therefore, for example the top selling car brands are different in all three countries - it was Peugeot in Estonia, Toyota in Latvia and Wolkswagen in Lithuania in the first half of this year. (Pärnoja 2003)

Baltic States have been in Inglehart "World Value Survey" research in a relative separate position. Baltic states are relatively high on modernity axis but still in very much development side of the self-expression axis. In a last survey it is visible that Baltic's group has separated and Estonia is high on modernity axis but has not changed its position on self-expression. Latvia and Lithuania are still close to each other and not so high on modernity level which is explainable relatively higher level of religiosity, which usually keeps states closer to traditional values. Throughout the history religion has been the most important influential for the values and culture development. If to compare religion to nowadays (pop)culture-industry, then one can say that the current mass-culture is new religion. (Inglehart 2000)

Empirical apparatus

Order of values

Looking at the Baltics as a common unit in European context there are some similarities and commonalities. I would first look at the general position of Baltic people. Also our relative position on the background of the European countries.

What are the most characteristic values for the Baltic's as total region:

- Togetherness
- Polysensuality
- Appearance & fashion
- Seeking challenges
- Money

And least common values:

- Collective goals
- Care for environment
- Family fulfillment
- Ecosystem
- Social participation
- Interception

But of course there are also differences in Baltics which are significant. Looking at the 7 top value trends of Baltic countries compared to European average. It is not that representative of where do we stand versus Europe but rather to look at the values which are similar or different in Baltics.

Table 6.

Top 7 values in priority order

Europe (2003)	Estonia (2004)	Latvia (2004)	Lithuania (2004)
Pleasure	Interacting	<u>Money</u>	<i>Togetherness</i>
Multi-tasking	<u>Money</u>	Interacting	Self-conditioning
Interacting	Self-conditioning	<i>Togetherness</i>	<u>Money</u>
Fun	Emotional experience	Seeking challenges	Coping with Uncertainty
<u>Money</u>	Exploring human potential	Appearance/fashion	Emotional experience
Eco-system	Fun	Multi-tasking	Fun
Appearance/fashion	<i>Togetherness</i>	Settled life	Eco-system

Source: TNS Emor RISC values research of Baltic States, January 2004, EMOR TNS

How people of Estonia, Latvia and Lithuania see life has many commonalties but what we can see from the table above that the, values in the top are quite different. There are two values which can be found in all Baltics. First of all ‘Money’, which is also in top seven in Europe and then secondly Baltic specific ‘Togetherness’. But here we can see the difference in order of these values. While for Lithuanians as a family centered Catholic society the value of ‘Togetherness’ is first in priority while for Protestant and relatively ego-centric society as Estonia has it only on the seventh position and here I would wonder did the Russian population in Estonia help to raise this value that high. The similarities come in large scale from the common past experience of Soviet occupation but when we look at the differences, then we can see that Estonians are more individualistic and prioritizing personal well being much more than Lithuanians. Both Latvian and Lithuanians are more socially oriented, care what their peers and other people think. They have more holistic view of the world. Estonians work hard on their social capital (see above table ‘*interacting*’) and judge people by what they have already achieved in life. One of the

biggest difference among Baltic people are the values related to the time scale. Latvians and Lithuanians see things in long term perspective which Estonians see themselves and surroundings in short term.¹⁹ The differences are enforced also on the government level. In Estonia with quite right wing government the priorities in few areas and achievements have to be fast. At the same time among the society we can see high differentiation among wealthy and poor.

The next step would be to look into different value groups in each Baltic country. I will start by looking already the segmentations by age group and profession and from there to go into the shopper defined target group values. This would help us to look into detail the driving values of the decision makers in FMCG area as these are the people who bring most value to retailers and producers.

Values of core Shoppers

In three countries we can see quite different value sets when we look at the shoppers, who are females of age 30-49 years. In Estonian and Lithuania we find in both countries one common consumer group which is the group of 'individual exploration'. What makes it unique is that Lithuania, which has been known for more stability seekers society has the biggest group of shoppers in this category. In their outlook the people are living more for the moment, interested in trying new products and experiences. While Latvian consumers are more cautious towards change, the society likes stability and rules as they were. It can be one explanation, why the trade structure has not developed rapidly towards the centralization of hyper- and supermarkets and big part of the shoppers still do their food shopping in open markets. It would be very important now for the retailers to recognize that in order to communicate to the main shoppers they need to promote stability, communicate on simple core values. The slogans of "New", "Now biggest" or "Only today the..." are not something highly appreciated by Latvians. Estonia has the largest group of

¹⁹ Lithuanians are more aware of their nation, history and generations. (Pärnoja 2001)

the core shoppers in the segment of 'economic priority'. These people are using value for money as a main judge for most of the purchases. They are focused on themselves and family and are being stability seekers. This can mean a success for discounter type of stores, where choice of goods is limited goods are good value for the money (usually).

Lifestyle

From the table we can see very well that there are almost two directions. The Lithuanian shoppers and the Estonian second largest shopper group are same with active lifestyle, open to new, using internet, radio and magazines. They search for fun and experiences, they expect partnership and are willing to take risk. They need to belong but to be different from others and look good. Compare themselves often to others and need recognition. Many purchases are also driven for the need to be noticed or be special and recognized. The other group is Latvia and the Estonian largest consumer group. Both groups are relatively stable and passive in their way of life. It home and family centered, peace and comfort is appreciated. Watching TV with the family in the evenings is probably the preferred activity. These people are interested what is happening in their world, not that much of outside. New media's are not consumed that much. It is easy target group to reach for brand promoters as well as retailers. TV and newspaper advertising will reach these people and probably they also trust these channels most. In terms of communication the messages should be simple and clear. The communication of the most common products on offer is the most sure bet for these consumers, they don't appreciate uncertainty and new products. Having the good old favorites displayed nicely, good offers and rather promoting bigger packages and functionality than changes.

It is important to understand the aspirations of women as core of Baltics shoppers and address their needs. There are the qualities of a person what females appreciate and like to develop. And from the below table we can see that all three countries women would like to be more sociable and it is highly important, especially for Estonians. Estonians also share the determination need with Latvian females marked in blue and Latvian and Lithuanian

women share the need to be affectionate and elegant, marked in pink. What is interesting observation is that the qualities of being funny and brilliant are very important to Estonian women but at a very low importance of Latvian and Lithuanian females, they think it is better to be romantic and sexy. It is relevant for a retailer to cater to these aspirations in order to be successful in its choice of goods, services and offerings.

Table 5.

Which are the top 5 qualities that you would like to develop in yourself?

Lithuania	25-34	35-49	Latvia	25-34	35-49	Estonia	25-34	35-49
Funny	1	2	Determined	1	3	Sociable	1	1
Natural	2	3	Elegant	2	5	Determined	2	2
Sociable	3	1	Affectionate	3	1	Discreet	3	3
Affectionate	4	4	Creative	4	6	Brilliant	4	7
Elegant	5	6	Sociable	5	4	Funny	5	12
Determined	6	5	Natural	6	2	Natural	6	4
Daring	7	7	Daring	7	7	Daring	7	5
Romantic	8	12	Romantic	8	8	Creative	8	6
Sexy	9	13	Brilliant	9	10	Unique	9	10
Creative	10	8	Sexy	10	11	Affectionate	10	8
Discreet	11	10	Discreet	11	9	Strong	11	11
Strong	12	9	Mysterious	12	13	Elegant	12	9
Brilliant	13	11	Strong	13	12	Romantic	13	17
Mysterious	14	15	Unique	14	15	Sexy	14	14
Trend-setting	15	16	Provocative	15	16	Mysterious	15	14
Unique	16	14	Funny	16	14	Trend-setting	16	15
Provocative	17	17	Dramatic	17	17	Dramatic	17	16
Dramatic	18	18	Trend-setting	18	18	Provocative	18	17

Source: TNS Emor RISC values research of Baltic States, January 2004, EMOR TNS

Similarities and differences within Baltic's

In different age groups and demographic groups there are some similarities and some differences in Baltic consumer. All the data in this chapter is from the TNS Emor RISC values research of Baltic States, conducted in January-February in 2004. I have analyzed the numbers trusting their validity as the data is owned by TNS Emor and their research methodology is used to collect the data and I have drawn my own conclusions which you find below.

Figure 7.

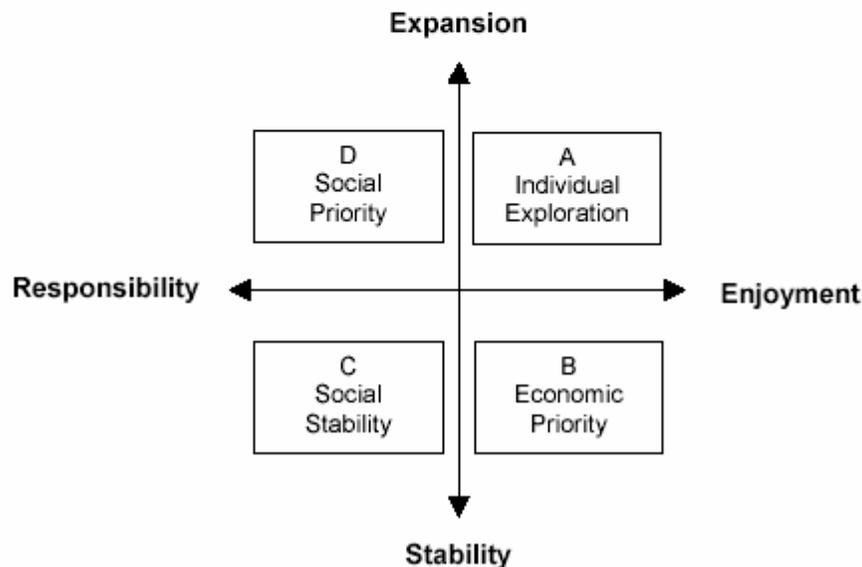
I will use mainly the classifications of the 4 quadrants, which are explained below:

A Expansion & enjoyment – Individual Exploration. This segment represents the scan-groups 3F and 3S, and partly group 1

B Stability & enjoyment – Economic priority. This segment represents the scan-groups 5F and 5S, and partly group 6

C Stability & responsibility – Social stability This segment represents the scan-groups 4F and 4S, and partly group 6.

D Expansion & responsibility – Social priority. This segment represents the scan-groups 2F and 2S, and partly group 1.



Source: TNS Emor RISC values research of Baltic States, January 2004, EMOR TNS

Among the young people of age under 25, there are a lot of similarities among Estonian and Lithuanian youth. The top values are 'Fun' and 'Emotional experiences'. These young people want to take out of life all what it has to offer and go for it. These two values decrease significantly after the age of 25, when people start settling down. Also there are differences between males and females coming in. But looking at Latvian youth, the highest value is 'Money' and it is used as a benchmark of all the other values, it determines success and popularity. Then comes 'Interacting' and 'Togetherness' out of which Estonia shares the 'Interacting' value among the top of relevance and none of the values are high for Lithuanians.

Then looking at other consumer groups we can see more similarities between Estonian and Lithuanian women of 30-49 than Latvian same group. In Latvia comes out more 'Uncertainty avoidance' for this group than for other countries. The shopper group is really down to earth and pragmatic people. They like to spend time at home, eating together with family. More than average of this group of people live in Riga (the capital of Latvia). For the same consumer groups in Lithuania and Estonia, they are more open to news. What is very characteristic to them is, that they travel at least once a year in their own country. They don't like rules and order, they like flexible communication. They also consume quite a lot of culture (theater, cinema, exhibitions).

Total female group of Baltics, which is 53% of total population of (15-74), shares also similarities among Estonians and Lithuanians, with main value quadrant being 'Individual Exploration' while in Latvia the biggest is 'Social Stability'. Then again if we look at top two values of this group, then Estonia and Latvia shares similarity, having 'Interacting' and 'Money' as top two, the order is opposite but the top in principle is the same. In Estonia, especially standing out the 'Interacting' value, compared to all the rest, it is approximately 20% higher. For Lithuanian women the top values are 'Self-conditioning' and 'Togetherness'.

The ethnicity plays also a role in peoples values, there are differences in all countries between Estonians, Latvian, Lithuanian nationals versus the Baltic neighbors as well as the non natives in each individual counties. There are no common line going through the groups. Only similarity we can find among non-Lithuanian females and non-Estonian females, they are in the value group of Individual exploration.

As the youth under 25 are quite similar in values in Baltics, the differences kick in after the 25. Already in the age group of 25-34 we can notice quite big differences. Once again Estonians and Lithuanians are in the same value quadrant of 'Individual Exploration' and Latvians in 'Economic priority'. In terms of top values, 'Self-Conditioning' and 'Emotional experiences' move the Estonians and Lithuanians into a different segment, and Latvians are driven by 'Money' and 'Interacting' top values.

Among the group of 35-49, we can already notice similarities among Latvians and Estonians. Both biggest groups are in the 'Economic priority' segment, which Lithuanians stay together with the younger group in 'Individual exploration'. And where the Baltic consumers meet is the age group of 50-64. In all three countries the dominant segment is 'Social stability' and it can be easily explained also by the fact, that these people have had the longest shared history experience, the early years of their development, the state aimed to standardize all the countries. Suppressed religious activities, same education and media. The developing years of these people were conditioned quite similarly. Also this is the group, which was bit too old to adapt easily to the rapid changes of the free market economy and therefore also appreciate the stability and collectivity more.

Females of 15-29 in Baltics are in the same value segment of 'Individual exploration' and the top values are 'Fun', 'Money', 'Interacting', 'Emotional experiences' and 'Self-conditioning'. These are the people, who are very open to everything new and love to experiment, take risk, to be challenged. The retailer can easily catch these consumer by just making their shopping experience more fun and different. But this group in general is not

the primary interest of the retailer usually, as the purchasing power is still low and the purchasing amount small. Most of these people still don't have family to provide for. Hence, this group is very interesting for brand marketers, this is the group where the future of the brand's success is determined. During these years, very many changes take place in young peoples lives. Finishing school, moving out of home, starting work, earning and owning the own money and making decision how to spend it. People in these years are very open to change their habits and create new habits, which perhaps they never had. Very responsive group to all kinds of commercial messages and impulses.

The main FMCG food shopper group of females aged 30-49, are all different in the three countries. In Lithuania the group is predominantly in 'Individual exploration' segment, and as total the share of these people are 21% of the population. The top values are 'Self-conditioning', 'Money' and 'Fun'. In Latvia the group is about 20% of population and they are in 'Social stability' sector with main values of 'Money', 'Interacting' and 'Appearance and fashion'. The Estonian main shopper group is 21% share of population and sits in the value sector of 'Economic priority'. Therefore also the top values are 'Interacting', 'Money' and 'Self-conditioning'. This segmentation is very important for the retailer to pay attention to. First note would be that three countries are different and though there is a one underlying value 'Money', which keeps on appearing in all of the segments, it is not necessarily the main driver, it is also important to look the combination of the values.

The Baltic males of 30-49 are much more similar, all in the sector of 'Economic priority'. What I find interesting is the group of lower educated people in Baltics. The people with primary and basic education²⁰ Lithuania 32% of people, Latvia 19% and Estonia 26%. The grouping now are different and Estonia and Latvia are similar with dominating quadrant of 'Individual exploration' and Lithuania stands out with 'Social stability'. Also in Estonia and Latvia for these people the 'Money', 'Togetherness' and 'Interacting are the top values, while in Lithuania it is 'Togetherness' and 'Settled life'.

Also big differences can be noticed in the higher education²¹ segments (Estonia 17%, Latvia 19% and Lithuania 15%), where Lithuanian shoppers are in ‘Individual exploration’ group, Latvians in ‘Social stability’ and Estonians in ‘Social priority’. Which makes it quite unique. Only in Latvia the value of ‘Money’ is in top 5. In Estonia and Lithuania the ‘Exploring human potentials’ and ‘Uncertainty’ are in the top.

According to income groups there are vast differences between the countries, where Latvians lean towards ‘Social stability’ and Lithuanians for ‘Individual exploration’ and Estonians have all the quadrants equally represented. In urban areas the Estonians and Lithuanians again share similarities by biggest group being in ‘Individual exploration’ and Latvians stand out in ‘Social stability’ sector. While in rural areas people of Latvia and Estonia are more similar with highest share of ‘Economic priority’.

As a conclusion, most Estonians and Lithuanians are in the quadrant of ‘Individual exploration’. For the second biggest group in Estonia is ‘Economic priority’ and in Lithuania ‘Social stability’. In Latvia the biggest group is ‘Social stability’ and most powerful, population is quite homogenous in its values and mostly in that group. Secondly comes ‘Economic priority’ segment. But my interest lies in the main shopper group of female 30-49 and there all three countries are different. Estonia – ‘Economic priority’

Latvia – ‘Social stability’

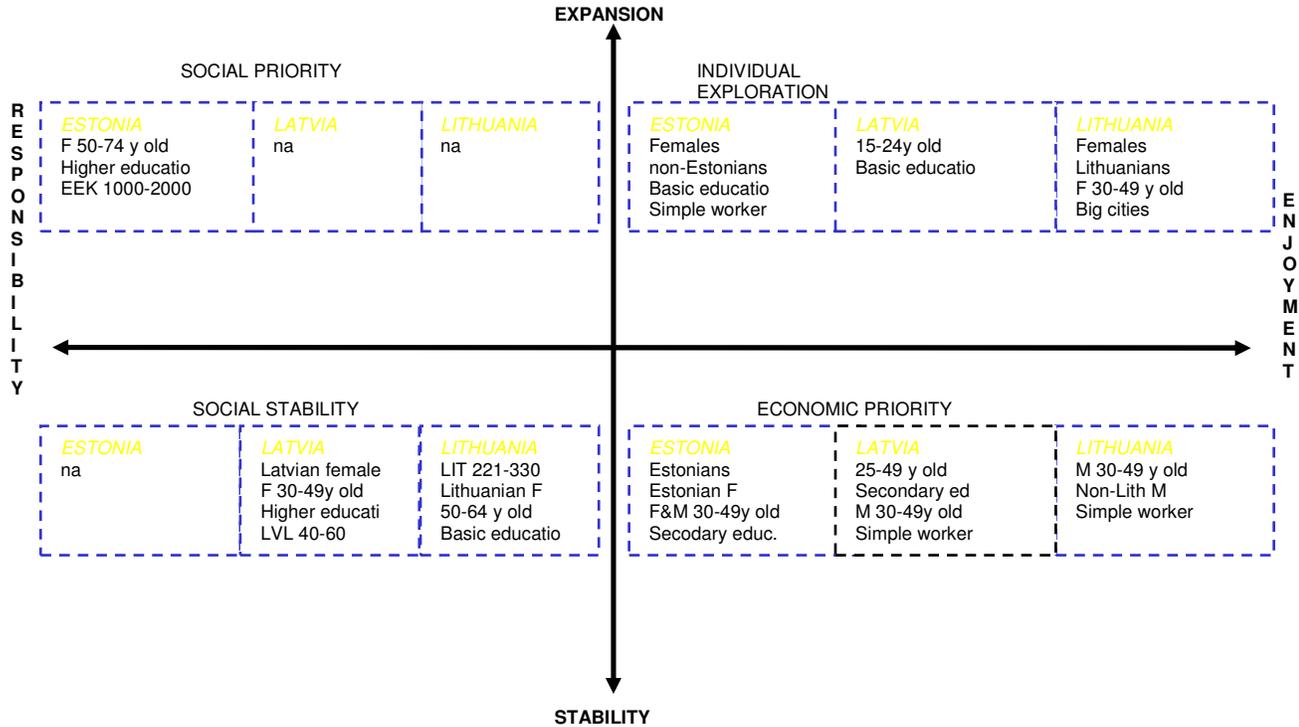
Lithuanian – ‘Individual exploration’

²⁰ Primary and basic education here is defined as 9 years of education or less.

²¹ Higher education is university degree or higher.

Figure 8.

The value segment groups of Baltic consumers



Source: TNS Emor RISC values research of Baltic States, January 2004, EMOR TNS

Shopping Behavior

Though we expect to see also similarities here among the Latvian and Estonian bigger group, it is not quite true. In shopping behavior the two societies are quite different. Looking at the RISC studies and summary of core shoppers on table below. The Latvian group of ‘Social stability’ are the old type consumers who like the regular products, preferably local and well know for long time (proven to be good and suitable), don’t care about the brands and consume always in moderation. It is important for them that they know that the product will perform good. They don’t want to take chances therefore endorsement by trusted person or public figure is a way to get them try new things. As a retailer, it would be good idea to ask local celebrities and trusted people so called Key

Opinion Formers (KOF) like doctors, sportsman, politicians or other celebrities to promote products, offers or store itself.

For Estonian largest shopper group, the shopping is serious thing, shoppers are functional and rational. They don't want fancy things or things which will distract them from their regular activity. It is not good to change the location of goods in the shop or suddenly completely rearrange the shelf. They are resistant to change. (Hofstede 1980) The choice as such is not that relevant, it is important to have the well performing, good old stuff, which they trust. It is not that important that it carries a certain brand and even the country of origin is not that relevant. As long as it will do the job and costs reasonable.

The Lithuanian biggest shopper group and the Estonian second largest group consumers are much more spontaneous. They look also for excitement and fun in shopping. There has to be something extra added, new products, special offers, nice displays in unexpected places to find goods will trigger the purchase (impulse). The brands are more important for this shopper and the imago of the shopping place. Most likely you don't find them often in discounters or corner stores (if then, just out of curiosity or mere reason that no time to go somewhere else). They like to have a choice and are not that much concerned with price. But this does not mean that they are buying premium, that is a misperception. They also like value for money but more often they go out of the routine and try new things as long as they are not overly expensive. They like to experiment and they are fine to pay sometimes extra for that. These are the shoppers which are in a way a blessing for the brand producers and retailers. They actually do lot of impulse purchases. If you come up with something new, they will try it. On the other hand, one has to keep these people entertained, otherwise they change their mind and go to a next shop or even make much longer trip to get the new advertised product. As these people are also more open to new and more impulsive, it is important to communicate with them actively in the store. The sales posters, wobblers, displays or trolley advertising will influence their shopping basket quite much. And it is good to put on display the products which will save time for them, as they like shortcuts and solutions.

	ESTONIA		LATVIA	LITHUANIA
Females 30-49	Economic priority 34%	Individual exploration 30%	Social stability 32%	Individual exploration 35%
World outlook	- Filter of money - Self- and family-centered - Indifferent for broader processes - Stability, security	- Here and now, present moment - Self-centered, but need belonging - Value new experience, open to new - Difficult to adapt to rules	- Stability - Social and political processes matter - Fixed rules, limits, safety - Cautious towards changes	- Here and now, present moment - Self-centered, but need belonging - Value new experience, open to new - Difficult to adapt to rules
Lifestyle	- Home centered - Family rather than friends - Passive in life - Dream of pleasurable life	- Versatile and active - Go out, travel - Good appearance	- Relatively passive - Peaceful and comfortable life - Home-centered	- Versatile and active - Go out, travel - Good appearance
Media	- Radio, TV – more than average - 'Lighter' entertainment	- Active internet users - Magazines, radio – higher than average - TV – average	- Daily newspapers – more - TV – news, cultural prog - Low Internet usage	- Active internet users - Magazines, radio – higher than average - TV – average
Consumer behavior	- Consuming is a serious activity - How will I benefit from this? - Rational consumer - Prefer habitual products - Domestic origin not so important - Brand secondary - Big choice is seen as disturbing	- Optimistic towards future - Shopping – fun & feel good - Importance of brands, IMAGE - First to try out new things, spontaneous - Prefer time saving products - Effected by TVCs, internet, shop ads, 'idols' - Less influenced by prices - Big choice as an advantage	- Moderate consumers - Now affected by ad-campaigns - Value 'good old', regularity - Relatively price sensitive, loyal - Brands have low meaning - Influenced by expert advice - Domestic products	- Optimistic towards future - Shopping – fun & feel good - Importance of brands - First to try out new things - Prefer time saving products - Effected by TVCs, internet, shop ads - Less influenced by prices
GROUP TRENDS	Interacting Money Emotional experience Settled life Uncertainty Multitasking	Emotional experience Interacting Fun Pleasure Exploring human potentials Uncertainty Money Self-conditioning	Settled life Money Organization Interacting Togetherness	Fun Emotional experience Self-conditioning Uncertainty Pleasure Money
Not characteristic	Epicurism Integrity Care for environment Social participation	Epicurism Care for environment	Taste for risks Epicurism Pleasure Fun	Care for environment Epicurism

Source: TNS Emor RISC values research of Baltic States, January 2004, EMOR TNS

Consumption Habits

The economies and wealth of countries are heavily linked to consumption. The main motor is not any more production, which was claimed by Marx but the consumption power of a country. (Corrigan 1997) The true mass consumption is just about a century old and is growing in rapid pace.

RISC survey has covered questions on consumption, out of which, few I would like to bring out here and analyze. Starting with the openness of new products and brands entering to the market. In comparison the Lithuanian consumer is very willing to try something new. 46% of Lithuanians agree to an extent that trying new brands is something they like, compared to Estonian and Latvian consumer willingness of only 35%. This tendency can mean that consumers are more positive about the future and open to changes in Lithuania. This reflects the consumer confidence and willingness to try newly introduced products to the market.

Table 6.

I like trying new brands which come out on the market	TOTAL SAMPLE		
	Estonia 2004	Latvia 2004	Lithuania 2004
Strongly agree	8	5	15
Somewhat agree	27	30	31
Somewhat disagree	37	40	33
Strongly disagree	26	25	20

Source: TNS Emor RISC values research of Baltic States, January 2004, EMOR TNS

Price sensitivity has been the most difficult battle for most intentional companies entering Baltic markets. The purchasing power of consumers is still low in comparison to Western Europe as well as local players produce cheaper and also have the advantage of being local (value dominant in Latvia and Lithuania). In terms of emotional benefit of local product

and purely economic advantage, lower labor cost, transport and duties. Fast moving consumer goods business model is build on mass production and high rotation on goods. Though, price is considered one of the most important aspects by consumers. The price comparison is done before the purchase in Estonia by 85% of people, Latvia 83% and Lithuania 80%. The facts come in a way as a surprise, because Estonian consumers are always considered as the most “wealthy” by all statistical figures and least caring for the price and Lithuanians most price conscious consumers. It can be explained by trade structure, where Lithuanian market is dominated by super- and hypermarkets (modern trade). The supers stores are communicating and differentiating from each other by communicating favorable prices. Lithuanian consumer is maybe already sure, that the shop offers the best price, now it is just the matter of brands pricing levels.

Table 7.

I always compare prices before buying something	TOTAL SAMPLE		
	Estonia 2004	Latvia 2004	Lithuania 2004
%			
Strongly agree	45	35	46
Somewhat agree	40	48	39
Somewhat disagree	10	14	11
Strongly disagree	3	3	4

Source: TNS Emor RISC values research of Baltic States, January 2004, EMOR TNS

A contradicting information comes from the table 8, where Lithuanians for example like to buy products on sale, significantly more that Estonians and Latvian do. 66% of Lithuanians claim to buy products on sale or promotion, while only 55% of Estonians and 61% of Latvian do that.

Table 8.

I buy the majority of the products I need when they are on sale or on promotion	TOTAL SAMPLE		
	Estonia 2004	Latvia 2004	Lithuania 2004
%			
Strongly agree	18	19	26
Somewhat agree	37	42	40
Somewhat disagree	34	31	26
Strongly disagree	9	8	8

Source: TNS Emor RISC values research of Baltic States, January 2004, EMOR TNS

An important factor for Latvian and Lithuanian consumers are the origin of the goods. In table 4 it comes out clearly that only 64% of Estonians believe the local products to be better, while in Latvia 80% and Lithuania 77% consumers think so. It could be driven by excellent marketing of local producers in Latvia and Lithuania or the least nationalism in Estonia. Or it could be explained that Estonians look more for the ingredient list of products.

Table 9.

I consider local products better than the foreign ones	TOTAL SAMPLE		
	Estonia 2004	Latvia 2004	Lithuania 2004
%			
Strongly agree	28	43	44
Somewhat agree	36	37	33
Somewhat disagree	27	15	16
Strongly disagree	6	4	6

Source: TNS Emor RISC values research of Baltic States, January 2004, EMOR TNS

In the table 5 we can see a very interesting factor other differentiates all the Baltic consumers. Consumer interest of what the products consumed are made of (it is directly linked to quality or perceived quality of goods). For Estonian consumer the product quality is very important as well as to Latvians with fairly high importance but Lithuanian

consumers are not that concerned with the product consistency. 62% of Estonians vs. 45% of Lithuanians.

Table 10.

I look carefully at what the products I buy are made of	TOTAL SAMPLE		
	Estonia 2004	Latvia 2004	Lithuania 2004
%			
Strongly agree	23	12	11
Somewhat agree	39	42	34
Somewhat disagree	25	35	33
Strongly disagree	10	11	21

Source: TNS Emor RISC values research of Baltic States, January 2004, EMOR TNS

The above mentioned key consumption habits show a very clear differentiation between countries. With Estonians, which very clear view on product quality and best price for that, which also leads to less experiments and trial with goods. Lithuanians seem to be on the other end of the extreme while the importance of relative price and quality are less of an importance while trying all kinds of new products on promotion and with strong preference and belief of locally produced goods. Latvian fall there somewhere in between, sharing the high appreciation of promotions and local production with Lithuanians and price sensitivity and trial interest is more similar to Estonian consumer.

Retail Trade Structure in Baltics

Current improvements in the investment climate in Baltics (due to accession to EU), encourage big multinational retailers to invest in the developing areas. The competition is getting more severe and retailers have to become more professional and clever to get people's attention and disposable income. In Baltic states the trade is generally divided in two main parts; the modern trade, hyper- and super markets as well as any other type of highly organized shop(s) with more than 300 sq. meters of space (I will use also the term KA, meaning Key Account); the traditional trade (TT) is less organized smaller stores or shops, which operate separately and have a smaller selling space. The biggest differentiation comes from the central coordination and distribution. The KA's have usually their own distribution centers and highly coordinated shop floor activities and shelf placements while TT shops operate in a less organized way.

Estonia

Due to relative closeness to Finland and Scandinavia, the FMCG market is set up according to the retail trade structure in Finland and Sweden. Several key-accounts in Estonia are subsidiaries of Scandinavian retail-companies. According to TNS Emor 2004 Q4 retail survey in Tallinn there are five main modern retail chains (Prisma, Citiymarket, Selver, Rimi and Maksimarket), which also represent the total Estonian market. The total share of consumers going to super and hypermarkets in Tallinn is 41%. In the discounter and cash and carry segment the market is much smaller but growing. This year the share is 21% but has made a huge leap since last year same time from 15%. The open markets are losing its share and account currently around 16% of shoppers' share. (TNS Emor, 16.11.2004)

Table 11.

The biggest players in retail market in Estonia are shown in the next figure:

Retail chain	Total outlets	Cash & Carry	Discount stores	Hypermarket	Supermarket	Groceries stores
		> 1000 m2	2500 – 200 m2	> 2500 m2	> 300 m2	< 300 m2
Saastumarket	47		47			
Citymarket	6			6		
Rimi	7			1	6	
ETK Maksimarket	5			3	2	
ETK Konsum	29				23	6
ETK EDU	14				5	9
VP Market	14				12	2
A - Selver	13			2	10	1
Prisma	4			4		
Tirsi	3				3	
Spar Comarket	14				7	7
Elektra	18				5	13

Source: ACNielsen, 03-2005

Latvia

The business culture in FMCG is influenced by the large Russian population in Latvia, approximately 38% of population is Russian-speaking (Statistic 2000). The region of Riga is the most populated region of all the three Baltic States, nevertheless the purchase power is lowest. The FMCG situation in Latvia is lacking behind Estonia and Lithuania, distributors do not have a complete coverage of distribution and work with regional low-quality distributors. Nevertheless, according to the data of “Eurostat” in June 2004, relative to the same time in 2003, sales of Latvian retail companies were growing with 10.9% being the second fastest in the EU.

Table 12.

The biggest players in retail market in Latvia are shown in the next figure:

Retail chain	Total outlets	Cash & Carry	Discount stores	Hypermarket	Supermarket	Groceries stores
			2500 – 200 m2	> 2500 m2	> 300 m2	< 300 m2
VP MARKET	87			8	36	43
RIMI	41			6	34	1
KESKO FOOD	32		27	3	2	
MEGO	34			1	15	18
BETA	36				14	22
ELVI	58				11	47
TOP!	47				7	40
NARVESSEN	53					53
NELDA	17				4	13
SKY	2				2	
AIBE	~240				1	~240

Source: ACNielsen, 03-2005

Lithuania

The FMCG market in Lithuania is more similar to Polish trade structure. Lithuania has the highest density of inhabitants per square kilometer. There are only a few big players in FMCG in Lithuania, 80% of the market is key-account.

In June 2004, relative to the same time in 2003, the fastest growth of retail sales in EU was achieved in Lithuania - 12.3%. The average increase in retail sale in the 25 EU member states in June 2004, relative to June 2003, was 2.8%.

Table 13.

The biggest players in retail market in Lithuania are shown in the next figure

Retail chain	Total outlets	Cash & Carry	Discount stores	Hypermarket	Supermarket	Groceries stores
			2500 – 200 m2	> 2500 m2	> 300 m2	< 300 m2
VP Market	190	4		12	103	71
Iki/Ikiukas/Pigiau Grybo	132				68	64
Norfa	91			5	67	19
Rimi	30			3	25	2

Source: ACNielsen, 03-2005

All three markets see the decline in the number of stores (Appendix A) as due to consolidations and growth of hyper- and supermarkets the general crease over five years have been close to 25% in the number of stores. The triumphal progress of discounter-type purchasing places over open markets has continued in past 4 years. (EMOR 2002) Consequently, discounters are a serious alternative to open markets due to their favorable price level. And this trend is visible all over Europe, with leading discounter country being Germany with its big chains Lidl and Aldi. Similarly to the growing importance of discounters the consumer base of hypermarkets is constantly growing. (EMOR 2002)

The number of stores per 1000 people (Appendix B) is also decreasing and is lowest in Baltics in Estonia (2,7) and in Latvia and Lithuania (2,8). To put it into the context of Europe, then there is still room for optimization compared to western-Europe and in comparison of eastern-Europe, only Czech Republic and Slovakia had less stores per 1000 people, respectively 2,2 and 2.5.

The competition is tough and most likely will be getting more severe with more international retailers entering, for example the first one to come is German discounter chain Lidl in 2005. In Appendix C we can see that the hyper- and supermarket market share is already 50% or more in Estonia and Lithuania and is growing. In western-Europe the modern trade is close to 80% of value of the market, which also indicated the trend for Baltic structure of the market.

Trade Situation and Influence on Shopper

The retail trade dynamics

The data collected via interview questionnaires from trade specialist and experts (Appendix D) is giving the relatively homogeneous picture of Baltics. How retailers see themselves is different, but approach to market is unified. Overall situation described in media is that the retail is consolidating, is admitted by all the retail experts.

The trade structure is determined by general development towards stronger consolidation and mergers within the retail landscape. The power of retailers are increasing due to the reduced supply chain and higher quantities. In Lithuania the market is dominated by local retail chain VP-markets and with subsidiary Aibe, the market is highly concentrated there. This adds much pressure of suppliers and brand producers in terms of pricing and promotional support. In total the market is divided between 4 major KA chains and the biggest growth comes from discounters. *“The retail growth indicates consumer preferences – last year Norfa (a discounter chain) has experienced the biggest expansion – 48% growth, Saulute (VPMarket discounter) is also recognized by shoppers as the most popular.”* For the main choice factor is often price and therefore for the commodity food products open markets are still quite popular.

In relation to consumer the Lithuanian retailers are aggressive in communicating price and promotion. There is always a promotion on the market and shoppers follow these big actions. *“Lithuanians are pushing on promotions, prices, cheap stuff. They stress local origin of the chains and appeal to traditional family/nation values.”* It use to be so that big brand marketers give out cars and houses, now the tables have turned. The retail chains have promotions to allure consumers to visit their stores, and the massive prices are given out. The value of the prize pool has been pushed so high that most brand can't match it and

therefore loose out opportunities to support their product via consumer games and lotteries. But it clearly indicated the power and aggressiveness of the retailers.

The Lithuanian open markets are very limited compared to the Latvian open market culture. The large open markets both in cities as well as rural areas play very important role in food FMCG products. *“Prices are usually lower than in retail, products are very fresh and choice is very wide.”* And Latvia being the most price sensitive market, it is explainable the open market dominance still. All in all the retail market is least organized and consolidated yet. KA's are growing but TT is still dominating. *“Latvia is most fragmented out of the three retail markets with small corner stores remaining popular. The expansion of VPMarket to Latvia over last two years have speeded up the retail concentration.”* The corner stores are important and that also determines the preferred packages and brands sold. As the space is often limited, the packages in are in principle smaller and more cheaper products are available to assure the fast rotation. Also people tend to be bit more loyal to the products they buy, as the choice most of the occasions is limited. Thought the changes are happening also there. *“Recently local players have tried to create a union.”* The purchasing from wholesaler and/or producer becomes much cheaper when the volumes and supply chain is harmonized.

Due to the high fragmentation of the Latvian retail market, most of the retailers don't run big campaigns to support their shops. The strong entry of VP-market now is shaking the market place but as their main strength currently in Latvia lies in the T-market discount chain, active marketing support is not present yet. Currently the biggest KA Rimi (now the joint venture of ICA and KESKO) is working on positioning itself but it does it in a way in a vacuum, as there is not active competitor to push them around yet.

In terms of trade structure Estonia has most diverse retail arena. There are several KA's from different groups of owners, Scandinavian, Dutch and Estonian ownership, as well as still significant TT and just a little bit of open market. Most likely the development is most dynamic currently in Estonia and most fierce as well. *“ICA and Kesko integrated their*

actions to achieve greater market power and Tirsi as the local supremacy in Tartu gave over its premises to Selver.” All in past 4-6 months development. *“The current market share of bigger chains is growing as they are pushing out the little “next-door” shops offering larger assortment and better prices as well as there is some organic growth with increasing purchasing power.”* The tough competition can also be observed through the active positioning and marketing game the retailers play. In the TV/radio and other media, the retailers communicate actively. The main argument currently is price and all the KA’s suddenly want to become positioned in ‘every day good price’ segment. Whether it reflects the consumer values, or it is the ‘undone homework’ of retailers remains to be seen.

Because of the Scandinavian touch in retail it is observed by retail experts, that even though price is often communicated as main differentiator, the consumer still appreciate the brands and quality of the goods, more than in other Baltic countries. *“Chains are built on the Scandinavian retail base.” “Estonia is more about assortment/taste/service.” “EE - Brand/quality drive consumers. Active in promo eg. “scratch and win” “collect and send””* It was noticeable from the retail experts that they all see Estonian market quite similarly. It is all other drivers before the actual price but the reality is often not confirming it. The price communication is dominating defiantly though the media.

Shopper choices and trade variables

From the surveys we can see most similarities in the way retailers see how the consumer choices are made. The first two variables which is believed by the retail experts to influence the shopper choose is ‘Need for the product’ and ‘Price’. And even the following list is quite similar. The third influential factor is ‘Availability of the product’ and then ‘Promotion’. To my great surprise the factors such as ‘Placement of the shelf’, ‘Service quality’ and ‘Buying comfort’ come at the very bottom of the list. With these opinions the retailers are supposedly limiting their influence on the purchases and the amount of purchases. The values coming out from the RISC values survey like the need for ‘fun’, ‘simplicity/stability’ and ‘togetherness’ are completely ignored.

It is no wonder that the efforts of brand marketers are disregarded like the importance of 'Brand', 'Packaging' and 'TV advertising'. It seems relatively natural, knowing the hidden rivalry between the brands and retailers. They work for common goals but often the means to reach there are not agreed. In the list of shopper needs which are perceived by retailers can be severely reviewed after getting acquainted with the shopper values. What is though interesting is that though the markets in terms of retail structure are very different, the shopper drivers are seen as very similar by retailers.

More differences come in when we talk about the choice where to shop and how the decision is made. The old theory of "LOCATION" is still strong influencing the market, though there are much evidence that it might be changing now. In Lithuania there the shopper researches show motives of comfort and assortment stronger than location. This can be also by the fact that location is taken by consumers already for granted. In the bigger urban communities the choice close to home for several shopping alternatives is there and not questioned. *"Saulute is mentioned in food consumer research stores as the most popular for visiting (32% of respondents), motives being – "small and handy", "known assortment", "close to home". For weekly purchases, 30% of consumers prefer VPMarket stores, 26% - Norfa, 16% - IKI."* This data indicates the need for 'comfort', 'convenience' and 'stability' in terms of assortment which is in line with the consumer values from RISC survey. For the weekdays it is mainly the closeness of home and simplicity of shopping. Shoppers prefer to get their commodities easily and quickly and bigger hyper- and supermarkets are left for the weekend shopping. *"The assortment in the store should be adequate, but if there is choice then a better price is preferred most of the week to a better assortment, because the usual bread-milk is anyhow sold in all of the places. On Friday and in the weekends the preference is on bigger assortment as you look for special ingredients as in the weekends one has more time to prepare and enjoy the meal."*

Influencing mechanisms

One important thing mentioned by shoppers is the assortment. The retailers vary a lot based on the goods and the amount of goods they carry. It starts from the shopper profile which shops in the certain shop, the commodity level, price, packaging and product support are taken into account. In the bigger KA's there are always assortment committees, which meet occasionally to evaluate the assortment. The assortment in the bigger stores is relatively similar in Baltics, the number of goods carried is large and could be larger in respect of store space but purchasing power of Baltic shopper is setting its limits. The differences are visible in discounter type of store and indeed in TT. More attention is nowadays turned into the space management to maximize sales and reduce out of stocks and waste. For retailer is it crucial to maximize the turnover per square meter or even square centimeter, therefore the merchandising and shelf management are one of the most important aspects of the retailing. (Franzen, Bouwman 2001)

The big KA's are managing their store layout very carefully. All the retail experts agree that shop layout has much higher impact than the brands available. The chain is pre-determining the layout and all the shops should follow it. In case of the foreign retailers the layout decisions are made abroad and surely well researched and very professionally developed, the only minus is that the local conditions are not taken into account and therefore partly forced on the consumer. On the shelves the products placement is determined by merchandising standards and shelf space management. In major KA's the development is done together with producers and brand marketers. With simple logic of market share, turnover, profitability and promotion taken into account. Also the expertise of foreign retailers and following the local standard 'competitor monitoring' is done in development of these shelf charts. In most cases the shelf planogram is relatively stable, it is reviewed once or twice a year, in some less active categories even less often. Though some stores practice much more active shelf management, like discounters and TT stores. What ever is on the sale or has the highest stock gets most space and attention. "*Greater space to goods that sell better or that are in the campaign at the moment.*" The other

aspect, which shows the smallness and still relative youth of the retail market is the relationship influence. The producers with good relationship with the shelf planner have significant advantage. And of course money talks as well: like the discounts and other beneficial trading terms, for example long payment terms and delivery frequency. *“Also a considerable deal depends on the general relations between the vendor and retail company, what conditions the producer gives the goods, especially how big is the special discount for our chain and thus accordingly our markup-profit from the sales.”* Also paying for the shelf space is very common in Latvia and Lithuania and less practiced in Estonia.

The assortment and shelf management goes often unnoticed by shopper, then the promotions and activation's are more visible and more judged by consumers. The Lithuanian retailers focus on their communications and activation for outside world in the mode of big retail lotteries and consumer games (for example win a car or house or trip around the world), a year and two ago the loyalty cards were main form of attractions. The current trend is more advertising the store imago, actually starting to position the stores. *“Lately retail chains have started to work on the image and let out some positioning campaigns. VPMarket – family shop for big purchases with everything inside, IKI – more luxury, exclusive, limited assortment, higher prices, NORFA – for those who look for cheapest and do not pay attention to store view.”* For the Lithuanian big three it becomes now more easy and clear how to divide the market and which shoppers to target. In reality there are still much confusion and in my opinion especially VP-Market is trying to be everything to everybody. Due to it's economies of scale it has been successful so far and building its success on dominance and pressure on suppliers. It is arguable, how sustainable is the position like that, but indeed sort term the biggest success story in Baltic's retail market.

As already mentioned earlier the Latvian retail landscape due to its fragmentation is much less noisy in terms of communication. The majority of support and activation's take place via the leaflets, store magazines and print media, where price offers and in-store promotions are communicated. What is bit different in Latvia that often also suppliers and

brands are involved into price action campaigns, where the shops ask for the support in media. The retailers still compete on the new locations and structural side of the retailing, not that much on getting the people to visit certain stores and getting them as loyal customers who keep on coming back.

Estonia on the other hand sees a very interesting phenomena, where retailers communicate in every possible way and in every possible channel their price positioning. *“Each Monday we (T-market) send the newspapers with price information by direct mailing to people living around the shops, around meaning in smaller cities the whole city.”* For the discounters it is very understandable, as they play their strategy on price leaderships. The KA chains as Prisma, Rimi and Selver it is less clear, why they have chosen the price communication, though their target is different. Also based on values the shopper is not necessarily looking for price. Especially Estonian consumer. The least price communication comes from Selver who’s positioning is also most clear in promoting Estonian goods and being in a way the specialist of that. Also the relative smallness of the shops it turned into the advantage. Prisma and Rimi seem to be playing more the price game. Another interesting development in Estonian retail market is that retailers use brands to attract consumers to their shop. Often there are strong brands advertised in TV or print in the context of price advantage to invite shoppers. It is quite unique for Baltic market, that retailers don’t always ask money from brand marketers for advertising their products.

Baltic shopper vs. retailers

The changes and development in Baltic retail market is not over, active mergers and new comers are expected. *“Retail will be more and more competitive field, pushing further on suppliers and optimizing the supply chain (smaller, but more effective assortment; better promotions management). Discounters will grow (especially in Latvia) since they are relatively underdeveloped.”* The growth in the discount channel seems to be the most common agreement among retail experts. Also the news of German discounter chain Lidl entering, also expansion of SupperNetto and T-market in Baltics are clear signs of the

discount segment being most actively developing. Their positioning of good price but limited assortment is clear and so far accepted by consumers quite well. By nature all the discounters in Baltics so far are soft-discounters which carry brands and products, which can be found in other shops, just competing with price. The private label is not dominating yet. The biggest private label market being Lithuania currently, is still relatively small yet.

The concentration of retailing seems unavoidable and evident. *“There are a lot less companies on the market, numerous die out and other ones merge to create greater market power”*. *“There is expectation for more specialized food stores to develop: meat, fresh milk products, bakeries, etc.”* Retailing will become a stronger economic segment which can determine the producers developments and brands destine. As the expected competition will remain, the only gainer here is consumer. Until the introduction of EURO, then the market will most probably change. Most likely will collapse for short term, like it has happened in most of western-Europe where after the EURO the retail market was ‘cleaned up’ the weaker did not survive and the stronger become even more strong and private labels and discounters are booming.

Based on current developments, the shoppers are becoming smarter and more aware what they want and what they are willing to pay for it. The extremes will most likely reduce. *“Consumers are getting more and more similar. Though of course tastes naturally differ.”* The awareness of consumer rights, product quality and in case of food the nutritional benefits will increase. Which makes consumer to move towards demeaning quality and value at the same time. That’s where the soft discounters will find their market and room for growth.

Discussion

Core values

Value is internal, it is something what people use to justify for themselves their own actions. The impulses about values come from society, that is what is considered normal in a certain context. But the value itself is an internal code, which one can interpret and use according to his/her will. (Hofstede 1994; Schwartz 1992) Could it be that values are already inherent to every person and not changeable, these values exist, what sets people and societies (cultures) apart though is the priority order of the values? The basic of good and bad should be same for all the people only the importance varies (Schwartz 1992). Therefore we can also see the value shifts in countries, when the external conditions change. The economy is collapsing or politics is unstable. Inglehart has been able to successfully prove the socio-economic, religious and political situations as the key influences of the value shifts in many countries. “Over two decades ago, Ronald Inglehart (1971) proposed a theory of value change that predicted value priorities in advanced industrial societies would tend to shift away from “materialist” concerns about economic and physical security, towards a greater emphasis on freedom self-expression, and the quality of life, or “postmaterialist” values. Arguing that differences between the formative socialization of young Europeans and their elders were leading young birth cohorts to value relatively high levels of freedom and self-expression, he suggested that future intergenerational population replacement would bring about a shift toward new value priorities.” (Abramson, Paul R.; Inglehart 1995, p.1)

Consumer behavior differences across Baltics should be indispensable knowledge for international retailers. Expanding operations to places with different cultural values without

adapting to these differences can lead to failure and serious financial losses. This applies to the retail structure and format as well as to sourcing differences. But the good news is that countries can be grouped according to the cultural types. (Mooij, Hofstede 2002) Here it is important to keep in mind that the groups should be made by product category and then the similar shopper reaction can be expected.

To find the answer to my hypothesis about the differences in consumer choices in Baltic states which derive from different order of driving values, we can see it well from the values research (RISC) conducted in the Baltics. It has revealed that some of the key differences are: Among younger Lithuanian and Estonian people there is significantly more of those who first and foremost look to find pleasures in everyday life, who put their feelings before rationale. Products and services can better be sold on emotional arguments there, but in Latvia the success of pleasure-offering campaigns will probably be considerably lower. In context of Schwartz' value motivation structure we find Estonia and Lithuania on the hedonism axis and Latvia in the segment of conformist and tradition. On the other hand, environmental and socially responsible offers will be much more attractive in Latvia than in Estonia and Lithuania. Latvian people are more interested in social agendas and more willing to put common goals before one's own. As the external stimuli, Hofstede's juxtaposition individualism vs. collectivism comes here out where Latvians are on the community values' side and Estonians and Lithuanians on the individualistic side.

Lithuanians are most optimistic towards all kinds of marketing and take for instance shopping as a lot of fun. Estonians on the other end are most skeptical. These attitudes correspond to the advertising expenditure, which per capita is highest in Estonia and lowest in Lithuania. This means that Estonian market demands more effort from the marketers, while in Lithuania more ordinary campaigns and messages might work.

Nevertheless, the Baltic markets are small. So, we also need to look at what unites the three people. Compared to the European average the values that stand out include:

“Importance of money – money is the measure of all things and money provides security. Low income levels imminently cause price sensitivity and a feeling of insecurity. But this is more - money is not only a means of buying something, but a symbol in itself. Things that show that one has money (luxurious cars, fashionable clothes) are worth striving for.

High need for social recognition – successes and failures are defined through the eyes of others. “Important others will approve of your consumption choices” is a powerful argument. Taking risks that jeopardize the approval of others is not considered to be worth it.

Dependence on the community – in small countries personal connections and relationships play an important role. Especially in the field of B2B²² marketing building personal relationships is one of the most important marketing investments. (Pärnoja 2003) Based on the commonalities of the markets, successful pan-Baltic consumer and retail strategies can be developed, but at the same time the differences must always be kept in mind,– not to contradict anybody’s basic values.

From the findings of the RISC value study we can clearly see that the main differences of Baltic shoppers are driven by the order of the values as well as to a large extent the top values are relatively different. According to Rokeach, the situations and experiences are judged by basic values, in this case the differences of Baltic consumers should be considered by retailers. So in addition to the value priority list, Baltic shoppers also appreciate and value different things. This proves my first hypothesis, that the differences in consumer choice are influenced by values order as well as the core values in general.

Shopping values differences by market

Societies develop some commonalities, which are derived from their similarity of base or core values. Inglehart claims that the mass culture as well as FMCG consumption is based on these basic values. In order to find answer to my hypothesis: “Estonian and Latvian

²² B2B means business to business contacts. Relations which are based on one on one communication and interaction.

consumers are more similar in their values order than Lithuanians” we need to look at the main food shoppers of Baltics, the female 30-49 and their value base differences. We can see that purchases are triggered by different value clusters:

Estonia – ‘Economic priority’

Latvia – ‘Social stability’

Lithuanian – ‘Individual exploration’

Looking deeper at what these value segments actually mean, we can see that people’s shopping patterns are not random. Based on Hofstede’s value theory of layers, the core values influence the outer layers which are more visible and here we can see the lifestyle, shopping behavior or consumption patterns in total.

Estonian shoppers are mainly in ‘Economic priority’ segment. In RISC research it is also called ‘Materialist’ because they look at the world via the ‘money filter’. The outlook of life is more oneself and family centered, work is to earn money and money to have secure and pleasurable life. These people are closer to conformist and security side of the Schwartz’ values motivations model. The stimuli are more on the side of security, stability and own and family hedonism. Money is the means to the end, the result is more important than the way of getting there. These people enjoy more reaching the goal than working towards the goal.

Retailer should be aware that these people like to feel comfortable, they use more than average mobile phones and cars, they don’t particularly enjoy shopping. It is no entertainment but rather an obligation and routine activity. Their purchases are mainly in ‘Basic consumption’ segment, where the necessity for the goods is relatively high but the involvement very low (Wikström 1989). This is a pragmatic approach, where neither the price nor the very large selection of goods is highly relevant. They go for the things, which have proven to be good and the main question they would ask in case of new offer: “How will I benefit from this?” (TNS Emor RISC values research of Baltic States) Therefore the standard supermarket or larger type of shop, on their main route to home is preferred.

Retailer needs to get them into their shop, make it easy and simple to navigate thought the shop and large purchases are almost guaranteed. Economic priority shoppers would not bother to go to next shop to check if the products are cheaper or fresher there.

The Latvian shopper as ‘Social stability’ oriented is very much a stability seeker. These people like order, planning, rules and boundaries. These can either be provided by somebody else or they can also make these limits for themselves and their family. This is to handle and control uncertainty in life. (Hofstede 1980) In order to avoid turbulence and change, they lead quite a passive and calm life. Comfort and security are appreciated.

As consumers they are reluctant to try new things. As a retailer, it is not an easy group to please in light of brands pressure. Because of their conservative attitudes they like local goods and stable product appearance; price and placing are valued. In terms of purchasing decisions, they are mostly influenced by ‘specialties’ or ‘thought leaders’ opinion. The good news is that they prefer to make regular purchases in the same place in a fixed interval. The stability value of Schwartz theoretical value system graph predominates in this case and should be taken into account for offerings. It makes the stock management and store handling simpler as well as when these people are won over, it is ‘cheap’ to keep them as customers. This large shopper group is also the reason of slow trade structure changes in Latvia. The market is still dominated by smaller shops of traditional trade and open markets still play a big part in the shopper routine. In comparison to other Baltic countries where the open markets are becoming extinct and large modern trade retailer are taking over.

The ‘Individual explorers’ of Lithuania are very open, self-centered and living for the moment type of shoppers. For them the new experiences are highly valued, and they spend time acquiring these new emotional experiences. They like to push the limits and easily change their environment to gain new stimuli. Shopping is an important aspect of their active and busy lifestyle. They belong more to the category “lifestyle shoppers” for whom appearance, novelty, speed and versatility is important.

Compared to other value segments, these consumers base many decisions purely on emotions, are spontaneous and influenced by communication (commercial messages). They trust their idols, friends and ‘thought leaders’ in their choices. They do pay attention to brands and versatility. But Lithuanians as very nationalistic people, value always highly local brands and producers. Retailer can benefit by offering these consumer choice, making life exciting by new offers and many promotional “barriers” throughout the shop. These consumers browse the shops longer than the average shopper and often do it with other people. It is a more collectivist approach (Hofstede 1991), and it goes also well with core values of ‘Togetherness’, which is the top value of the whole Lithuanian population. Once again, we can see how the trade structure really has developed to support it. The biggest shopping centers (malls) are in Lithuania, the hypermarket is in a massive shopping and entertainment area like for example Acropolis in Vilnius. It brings together cinema, a skating ring, numerous eating and shopping opportunities in addition to an extensive hypermarket shopping area.

As the analysis has shown my hypothesis of having Latvian and Estonian consumers similar has proven false. We can find more similarities between Estonian and Lithuanian consumers but at the core of it all, the main shoppers are different in all three countries and their shopping behavior is triggered by different values.

Retailer and shopper interaction

The retail market is structured very differently in those three markets with large and almost monopoly-like dominance of one KA in Lithuania, with 3 more KA chains. In Latvia the TT and open markets are still large but there is a rapid development of KAs. The dynamics of the market are very much affected by the entries of international chains. Estonia has the most diverse retail structure with several equally strong and developing KAs own by local and foreign investors. As in Latvia the market is shaken up and the changes are drastic in terms of the whole retailing structure, in Estonia the changes are more dynamic, the

structure of the retail is less affected and most of the changes happen so to say ‘behind the scenes’ and retailers compete against each other for the ‘share of shoppers’ mind and wallet’. The competition is happening more in the position part than the structural part. (Berman, Evans 1995)

When the retail theory said that the decisions and choices for FMCG are made primarily in the store (Wilkström 2004), the Baltic market is in such a turbulent development stage that retailers fight for their ‘place under sun’ and it is taking pressure off the consumers to make choices outside the store. From the distance it looks like the war is going on in retailing, the retailers follow each of the competitor action with great care but the shopper is forgotten. Retailers do not ask any more from the shopper what they want and need but assume it is the ‘price’ and ‘promotion’ and do not look beyond. The retailers have moved most of the commodities on the Wilkström’s structure to ‘Refined Consumption’ category where they assume that the products of high necessity also need high stimulation. It is an expensive game for the retailers to play. And univocally, it comes out from the survey that this is what is happening. Based on the answers I got from retail experts, the actions, promotions from trade and special price offers are the main drivers of the consumption instead of the brands. Also, the trade structure plays an important role, as the weekly shopping is done in local convenience stores and weekend and holiday shopping in hyper and supermarkets. This proves my third hypothesis to be true but the consumer values, which have been revealing different trends are a worrying factor for the retailers to consider. Their assumption on price and promotion are not necessarily the main drivers and retailers could work much better on their positioning to gain the shoppers’ loyalty and increased purchases.

Consumer stimulation

The mechanisms that enable the retailer to influence the shoppers’ decision in terms of store choice is stronger currently than the influence activities to boost the store consumption. As per the data received via the surveys the assortment and store space management are handled with care but not in great detail or systematically. It is not used

yet to position the store and differentiate. According to Bergman and Evans (1995) the important thing for the store is to be unique and clearly positioned. And as this is not really happening yet on the markets it might be the reason why the assortment and shelf management is taken that seriously. If the position is not clear and the target shopper not defined down to the smallest detail, it would be hard to find the right assortment and shelving strategy. In main communication the retailers communicate price and location as main advantages, which is not a unique selling proposition by Mowen and Minor (1998) and not suitable for long term critical mass build up. Current tactics support the switching of stores.

In my fourth hypothesis I was assuming that Baltic shoppers are different, which has proven to be true based on the RISC values survey but the second part of the hypothesis that Baltic retailers use same strategy throughout the region proves to be not true. From the retail experts opinions we can see completely different approach to marketing. Where Estonian retailers fight on actively and throughout the media on price, Latvian retailers are quite simple and not that loud and aggressive and use cheaper leaflet type of promotions. In addition to huge lottery type of promotions, Lithuanian retailers have started also to communicate their positioning.

The different approach to market comes most likely from two main reasons. Firstly, the trade structure: Lithuania is a monopoly-led market, Latvia is characterized by extreme fragmentation and Estonia is a home to several KAs in a competitive market. The leaders in each market are different, have different ownership structures and none of them are powerful enough in all three countries to dictate some type of common competing standards. Secondly, the consumers are different but it is not recognized and the assumptions or market leader determines the fight and others follow, leaving the actual shopper aside to watch the show. The recommended ownership of positioning in the market by Wikström (2004) is not followed.

Looking at the activates held by the retailers in light of Rokeach (1973) terminal values. The shoppers have certain expectations or desired end states of action and currently these beliefs what shopper has are not met or supported by retailers' activities. We should also recognize that the driving values are not the only and ultimate determiner of behavior and choices. Human beings are multidimensional and the conditioning around, it changes constantly as well as the behavior is adjusted and adapted. "Culture level analysis always reflects central tendencies (...) for the country" (Hofstede, 1991, p.253), it does not predict individual behavior. In my research this can mean that for example we can predict certain values and behaviors and this it can be used in promotional or advertising materials for that country or group of people. On the other hand it does not mean that all communication, which takes into account these values will be successful. Nor can it be predicted which value any individual consumer will find effective and persuasive. (Dahl 2004) The retail market is turbulent and probably therefore also growing rapidly.

Harmonization and centralization

Over the past decade the retailing landscape first developed in three Baltic markets in completely different direction and in the past three-four years the gap is becoming smaller again and the similarities are becoming more obvious. We can draw parallels here with Inglehart's (2002) theory of economic growth that leads to higher self-actualization values and move Baltic countries more towards the Western European value models. The gap is still big but first signs of development are there. Also the international giants entering the market shows the faith of the big chains, that they can manage and use the harmonized Western European approach in Baltic markets.

The retailing experts' opinion was univocal that discounter type of chains have room for growth and will most likely be the biggest development. The KA will keep on growing and mergers will take place. The centralization is unavoidable and preferred even. To build economies of scale in small markets is hard without harmonization and centralization. Consumes are also expected to become more similar. The values probably will move

towards the post-materialistic and hedonistic values like in developed markets. The economic growth and social stability will move the Baltic consumers closer to each other and regional difference will remain but will be small enough for the retailer to ignore these. Until then the value differences should be taken into account, especially as the positioning of retailers is still in progress and value gaps of shoppers to be filled.

Conclusion

In my thesis I analyzed consumer values in the three Baltic States: Estonia, Latvia and Lithuania. I described the choices retailers make in order to attract shoppers or generate profit flows for their companies whilst trying to make sense of seemingly random changes and differences in Baltic markets. My aim was to try to simplify and understand the rather complicated patterns of consumer values and behaviors in the retail environment and I was working towards a clear and plain way to explain why retailers' knowledge of the differences between the consumers' values in the three Baltic States contributes to their success in these markets.

To answer the problem formulation it was necessary to create an adequate theoretical apparatus covering on one hand consumer/shopper values as well as theoretical models to describe, analyze and understand the trade structure and functioning principles. Subjective consumer values and beliefs give additional information about possible patterns of behavior in the shopping situations. By addressing these values, retailers can better serve the expectations of consumer and advance their own business. The relevance of the thesis resides in the angle of my research: I focused on trade mechanisms that influence consumers' choices in the fast-moving consumer goods market, particularly in the food category. The results of my empirical research of the retail industry revealed that taking into account consumer values in trade efforts can boost consumption and are relevant but are not much used for time being.

The order of values is something that distinguishes the above mentioned three markets from each other. Every individual consumer has a value system, a durable collection of beliefs or views according to which behaviors and lifestyles are desirable or good. At the same time, large differences and similarities can be seen for individuals within the value system. Everybody might consider honesty and health as important values, but not everyone places

them at the top of their list. From the seven most preferred values identified by consumers in each Baltic country, we can see that only two are common for all countries, which are 'money' and 'togetherness', the other values are different. When we look at the common features, then we can notice that Estonia and Lithuania share a couple of more values in the top seven group compared to Latvia, such as 'self-conditioning', emotional experiences' and 'fun'. This data suggest that these two countries are more similar for the trade to target as the five similar core values are all in the top seven. So the basic values in Estonia and Lithuania are the same but weighting is different. Latvians express a different value set in terms of core values as well as the order of values. The Latvians have among the top values 'appearance', 'multi-tasking' and 'settled life'.

In Inglehart theory has been expressed, that countries with similar background and history should have similar values. Looking as a totality Baltic people share common past (for 50 years) and therefore they are considered close in values. It is often not recognized that when it comes down to core values, there are significant differences. In the context of Baltic States, Lithuanian consumer is very open to change and often needs new stimuli, while Latvian consumer avoids uncertainty and prefers stability and order. Estonian shopper makes its decisions very pragmatically and looks for comfort and security. The three countries could be clustered according to Hofstede's theory: Lithuania for collectivism and short term attitudes, Latvia for avoidance of uncertainty and Estonia for individualism and distance from power. In the consumption process, these values are expressed. If they are targeted by the retailer, the shopper is also more open to the stimuli provided by him.

Many modernization theoreticians argue, that the world is changing in a way that traditional values will be much less important. In general, values change with the development of the society and can not be transferred easily from one society to other. Which set's also some limitations of harmonization within the 'seemingly' small culture areas as in Baltics. Modernisation in consumer culture is moving people towards consumerism to satisfy the need for non-economic achievements in life such as belonging, self-worth and environment.

The retail market has been going through rapid changes in the past decade with the emerging large hyper- and supermarket chains. Retailers have redefined the shopping landscape by their highly modernized and organized trade approach. Nowadays, over 50% of market is being modern trade and although the ratio of square-meters of shopping space per 1000 people has been increasing, the number of stores has decreased significantly. Through the mergers the market has been reorganized and is offering the shopper a new stimulating shopping experience now. This is also one of the reasons why for fast moving consumer goods consumption has been increasing year by year on average over 10% per annum and does not show the signs of slowing down yet.

Though my thesis, I have concluded that most important for the retailer is the clear proposition towards the consumer group (targeting a specific value segment) and to be the best among others to a certain value group. Retailers must strive for a specific positioning to a specific set of shopper rather than aiming to excel at everything. Looking at core shoppers' values, it can help the retailer to anticipate their needs and desires, which can be successfully addressed and which will yield to profitable growth.

The conclusion to my problem posted could be captured based on the analysis of this thesis, that the shopper values in Baltic States are relatively heterogeneous: Estonia – 'Economic priority', Latvia – 'Social stability', Lithuanian – 'Individual exploration'. These findings explain somewhat the differences in the behavior and expectations of the above mentioned shopper types. The Baltic retailers have so far not shown enough awareness of shopper values. In most activities the primarily targeted values are 'money' and 'convenience', the retailers have been predominantly using one-way communication and approach towards consumers. At the same time, the influencing mechanisms, such as distinct retailer positioning, store layout and shelf management, are not utilized to the fullest. By obtaining a better understanding of national consumer values, the retail business can benefit to a great extent from addressing them.

Summary in Estonian

Tarbimisväärtused: Balti riikide tarbijate väärtushinnangud ja kuidas kaubandus mõjutab tarbimisväärtusi

Minu magistritöö eesmärgiks oli anda ülevaade Balti riikide tarbijate väärtusorientatsioonidest ja analüüsida jaekaubanduse poolt tehtavaid pingutusi tarbimisväärtuste mõjutamisel jaekaubanduse strateegiate kaudu. Tarbimisväärtusi tundes on võimalik jaekaubanduse strateegiaid optimeerida ja keskenduda tarbija eelistustele.

Minu töös on kaks rõhuasetust: tarbijate baasväärtuste järjestus ning kaubanduses kasutatavad strateegiad ja tarbijate mõjutamise mehhanismid. Alustasin teoreetilise ülevaatega erinevatest väärtuste käsitlustest ja kaubanduse teooriatest. Järgnevalt proovisin need ühendada empiirilise materjaliga. Tarbijate väärtusi on analüüsitud EMORI poolt läbi viidud RISC väärtusuuringuid kasutades. Kaubanduse uurimiseks viisin läbi kvalitatiivse uuringu semi-struktureeritud küsimustiku ja intervjuudega. Minu lähtekoht erinevate teooriate ja uuringute juures oli kaubanduse vaatenurk ja et väärtuseelistused väljenduvad tarbijakäitumise kaudu.

Väärtushinnangute all mõistetakse töös inimese pikaajalise kollektiivse elu ja tegevuse tulemeid, mis on ühise ja individuaalse tegevuse eeldused. Väärtuhinnang on indiviidile omane või gruppi iseloomustav eksplitsiitne või implitsiitne kujutus ihadatavast, mis mõjutab võimalikke teguviise, vahendite ja eesmärkide valikut. Sarnased väärtushinnangud moodustavad väärtussüsteemi. Sellest lähtuvalt on tarbimine eksplitsiitne väljendus väärtushinnangutest. Igal indiviidil on oma väärtussüsteem ja stabiilne kogum uskumusi, vaateid ja käitumise viise. Samas võib suuri erinevusi ja sarnasusi esineda individuaalsetes väärtussüsteemides ning peamine erinevus tuleneb väärtushinnangute hierarhilisest tähtsuse järjekorrast. Just väärtushinnangute järjestus eristab kolme Balti riiki. Pea igäüks peab

ausust ja tervist tähtsateks väärtusteks, aga mitte kõik inimesed ei pane neid oma väärtuseelistuste tippu. Balti riikide väärtushinnangute seitsme enimeelistatud väärtuse seas on vaid kaks sarnast kolmes riigis väärtustatud hinnangut, “raha” ja “koosolemine”. Eestlased ja leedulased jagavad veel väärtushinnanguid seitsmes kõrgeimini hinnatud väärtushinnagus nagu “enese-määrtalemine”, “emotsionaalsed kogemused” ja “nauding”.

Väärtushinnangute terminit kasutan vaid juhul, kui tegemist on suhteliselt kestva käitumisega, sellest lähtuvalt kasutan oma töös vaid ühe perioodi mõõtmistulemusi. RISC väärtushinnangute uuringu tulemusi, mis viidi läbi veeburaris 2004 aastal ning ei käsitle väärtusi trendina. Samas toetudes erinevatele empiirilistele uuringutele väidavad paljud teadlased, et pelgalt väärtushinnangute põhjal ei saa inimese käitumist ette ennustada, kuna on hulk situatsioonilisi ja personaalseid muutujaid, mis käitumist mõjutavad. Näiteks väärtustab iga inimene teatud määral nii kollektivistlikke kui individualistlikke väärtusi, mis võivad ilmneda sõltuvalt situatsioonist suuremal või väiksemal määral, mis viitab sellele, et näiteks sisseoste tehes võib tarbija erinevate ajede mõjul käituda.

Tuntud sotsioloogid on väitnud, et sarnase ajaloo riikide elanikud väljendavad sarnaseid väärtushinnanguid. Kuigi Balti riigid on jaganud ühist ajalugu just viimase poolsajandi jooksul, võime siiski näha suhteliselt suuri erinevusi inimeste väärtushinnangute juures. Leedulased on avatud rohkem muutustele ja uuele, samas Läti tarbijad eelistavad stabiilsust ja püüavad vältida ebakindlust. Eesti tarbija teeb oma otsused pragmaatilisemalt ning kaldub eelistama mugavust ja turvalisust. Grupeerides riike lähtuvalt Hofstede teooriast võime vaadelda Leedut kollektivismi ja lühiajalisuse väärtussegmenti all, Läti ebakindluse vältimise ja Eesti individualismi ning võimukauguse väärtussegmentide all.

Majanduslik kasv vähendab erinevusi kultuuri ja religiooni tsoonide vahel, mida Inglehart on suutnud näitada oma uurimustes ning ka Balti riikide asetus tema kultuuride graafikul on selgelt väljendav selle piirkonna usulist (suhteliselt madalat) aktiivsust ja majanduslikku olukorda. Kuigi Balti riigid on veel suhteliselt madala majandusliku jõukuse staadiumis, on nii sotsiaalsed kui ka majanduslikud muutused kiired ja dünaamilised. Ka on väga kiiresti

arenenud jaekaubandus. Viimase kümme aasta jooksul on kogu kaubandus drastiliselt moderniseerunud, hüper- ja supermarketid ning poekettide teke on muutnud tarbijate ootusi ja eelistusi täielikult. Kuigi kaubanduspinda on 1000 elaniku kohta juurde tekkinud, on poodide arv vähenenud. Jaekaubanduse käibe kasv on olnud keskmiselt 10% aastas ning kasv jätkub. Mis viitab ka tarbijate ostjõu kasvule ja kaubanduse aktiivsele turundustegevusele.

Oma magistritöös ma järeldan, et väga oluline on jaekaubanduse positsioneerimine ja lähtekoht tarbija silmis, kus kaubandus peab täpselt määratlema oma tarbija sihtrühma ning vastavalt valitud sihtrühma väärtushinnangutele määratlema oma pakkumise. Tarbija ei oota ühelt kaubandusketilt kõike, vaid pigem on teatud eelistused, miks külastatakse ühte või teist poodi. On tarbijad, kes eelistavad head valikut või suuremat lisateenuste osa, on tarbijad, kes huvituvad hinnast või piiratud valikust, et säästa aega ning ei hooli teenuse kvaliteedist. Pakkuda kõike korraga on väga keeruline ja pikas perspektiivis ka mitte kasumlik.

Jaekaubandus ekspertide küsimustike vastustest ja intervjuudest selgus, et kaubandusjuhid pole teadlikud ega kasuta tarbijate väärtushinnanguid oma strateegiate ja plaanide tegemisel. Tihti lähtutakse vaid emafirma (mis on tihti välismaal) ettekirjutustest või järgitakse konkurentide tegevust, mis on tekitanud "hinnasõja" jaekaubandusturul. See on raske majanduslikult jaekettidele, küll aga naudib tarbija selle vilju.

Töö põhijäreldusena võib tõdeda, et tarbijad Balti riikides omavad teatud sarnasusi, kuid põhiväärtused on erinevalt järjestatud. Seega on tarbijad siiski erinevad ja üks meetod jaekaubanduskettide laienemisel ei toimi edukalt. Samas pole ka lokaalsed (ühe riigi põhised) kaubandusketid tarbijate väärtushinnanguid aktiivselt kasutanud oma plaanide elluviimisel. Teades tarbija ootusi ja väärtushinnanguid, mille põhjal on võimalik teatud määral nende käitumis- ja tarbimismustreid aimata ja mõjutada, oleks jaekaubandus oma olemusvõitluses kindlasti edukam.

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Table 14.

Demographic overview of Batlics (Statistics 2004)

	Estonia	Latvia	Lithuania
Population	1,323,000	2,306,000	3,425,500
Age 15-29	27%	27%	28%
Age 30-49	37%	37%	38%
Age 50-74	36%	36%	34%
Area	45 227 km²	64 589 km²	65 302 km²
Nationality			
Local nationality	66%	57%	81%
Russians	28%	30%	9%
Belarussians	1.5%	4%	2%
Polish		2%	7%
Other	4.5%	7%	2%
Education			
Primary/basic education	26%	19%	32%
Secondary/vocational education	57%	62%	54%
University	17%	19%	15%
Settlement type			
Capital	30%	33%	
Big towns	19%		28%
Small towns	20%	37%	37%
Rural	30%	30%	35%

Source: National statistical department's of Estonia, Latvia and Lithuania and TNS Emor RISC survey statistics 2004

Appendix D

Survey nr. 1 - Estonia

E-Mail Survey for Retail Values for Graduate Research Project

Introduction:

Thank you for agreeing to take part in my graduate capstone project research. This research and the thesis that will follow will hopefully help to shed some light into the similarities and differences in the retailers and consumer understanding in three Baltic countries. Your insight and experience is invaluable to me. I greatly appreciate your help.

Instructions:

Please answer each of the questions below thoughtfully. Please use as much room as you'd like to complete your thoughts. If you have additional comments or questions for me please include them as well. If you have any urgent questions feel free to call or e-mail at: +31 65 128 6338 or maas@one.ee.

It would be helpful for me to know a little about you. I may want to contact you to clarify thoughts and comments that you have written. Please let me know the following:

Name (Your name will not be used in any written materials that I produce)	
Phone number	
E-mail address	
Occupation	Marketing Manager
Company	VP Market OÜ
Time	03 March 2005
Follow-up	Can I contact you directly for clarification? Yes/No

Please re-send this file with your answers included in a word file to maas@one.ee by **March 25th**.

Questions to retail experts:

1. Could you please comment briefly upon the current situation of retail environment in your country (with particular reference to the fast moving consumer goods industry especially foods categories)?

The competition in food retail is rather fierce, rivals are very attentively following each other's moves. That is due to the fact that both the Estonian as well as the Baltics' market in whole is rather limited taking into account VP Market as the new aggressive player especially in Estonia and other chains' growing plans and adding the fear of Lidl entering soon. Thus *ICA and Kesko integrated their actions to achieve greater market power and Tirsi as the local supremacy in Tartu gave over its premises to Selver* while playing nationally became too hard. *The current market share of bigger chains is growing as they are pushing out the little "next-door" shops offering larger assortment and better prices as well as there is some organic growth with increasing purchasing power.* Nevertheless, especially when Lidl comes, some of the chains have to cut down the less efficient stores to survive.

1. How do you think consumers make their decisions about which shop to visit?

Very much depends on the income and thus the relative value of time. A person who gets under 4000 EEKs leaves the job place at 17 exactly and shops around for the best price. As my experience shows, one can travel even half an hour to a shop, if the good price there is made known publicly well enough. Other than that the

main factor is in my opinion the convenience. For people who do not have a car, the shop should be near enough to their homes that one can walk home, otherwise getting on the bus again after shopping with a big bag seems not worth while. *The assortment in the store should be adequate, but if there is choice then a better price is preferred most of the week to a better assortment, because the usual bread-milk is anyhow sold in all of the places. On Friday and in the weekends the preference is on bigger assortment as you look for special ingredients as in the weekends one has more time to prepare and enjoy the meal.*

1. Do you actively manage your store layout (space management)²³? Based on what, do you make decision regarding layout?

I have a say in these matters. Mainly the logic is obvious – *greater space to goods that sell better or that are in the campaign at the moment. Also a considerable deal depends on the general relations between the vendor and our retail company, in what conditions the firm gives the goods, especially meaning thus how big is the special discount for our chain and thus accordingly our markup-profit from the sales.*

1. Please prioritize according to your view, what matters most for your consumers when making purchase decision on food products?

8	Brand
2	Price
6	Placement on shelf
3	Availability of product
1	Need for the product
5	Promotion
10	Buying comfort
9	Placement in store
13	Novelty of the product
12	Service quality
5	Packaging
11	TV advertising
7	Peer recommendation

1. What are in your opinion the major differences between Baltic countries in terms of trade structure and trade approach towards consumer?

In Estonia the competition seems to be fiercer. Consumer has to be approached already more on the emotional level, and that also in the sphere of everyday goods.

1. How do you choose the assortment into your shop(s)?

According to our strategy, the main factors are: that it is an everyday good, not very specific and its price when comparing to similar products. But certainly, the softer aspects, such as brand, packaging, are also taken into account, but in lesser effect.

1. What are the most efficient marketing tools employed by retailers to invite consumers to their shops?

In our case, as price is our main selling proposition, then weekly campaigns have real impact on sales. Every Tuesday, which is the first day of the campaign (campaign period from one Tuesday to next Monday), the sales are significantly higher than for example on Wednesday or Friday, though the same products are sold with the same price then too. But on *each Monday we send the newspapers with price information by direct*

²³ store layout (space management) – how the product categories are arranged and displayed in the store.

mailing to people living around the shops, around meaning in smaller cities the whole city. But that is due to our chosen price leadership strategy.

1. In your opinion, what increases the consumption more, the shop layout or the brands available?

The question is not understood totally, but I would presume that the shop keeper has to take into account the space available. You might have price signs on the shelves for many products, but if you are all the time out of them cause your assortment is too wide while you do not have enough room on the shelves, then it is also not positive to the client. With many rivals on the market, client can easily after some disappointments decide to start shopping in the next shop around the corner. Better to have smaller assortment, but maintain adequate storage for all of them. Then client knows your orientation and what to expect. I hope that somewhat answers the question.

1. Are the consumer different in 3 Baltics states? How?

Different income levels, patriotism to local producers, brand awareness – might be subjective here, but seem to be higher in Estonia.

1. What is the structure of retailing in 5 years in your opinion?

Big shopping centers where everything is in one place, the main success factor being location, 2ndly location and 3rdly location☺. Shops offering everyday goods have merged into chains. *There are a lot less companies on the market, numerous die out and other ones merge to create greater market power.*

If you know of another person whom you feel would be suitable to complete this survey also, please pass it on and send me a note.

Please return the completed surveys to me by March 11th.

Thanks so much,

Marit Aas
Tartu University
maas@one.ee
+31 65 128 6338

Survey nr. 2 - Estonia

E-Mail Survey for Retail Values for Graduate Research Project

Name (Your name will not be used in any written materials that I produce)	
Phone number	
E-mail address	
Occupation	Purchasing Manager
Company	Prisma Peremarket As
Time	06.03.05
Follow-up	Can I contact you directly for clarification? Yes

Questions to retail experts:

1. Could you please comment briefly upon the current situation of retail environment in your country (with particular reference to the fast moving consumer goods industry especially foods categories)?

Ei oska öelda kas sain küsimusest õigesti aru, et kommenteeriksin lühidalt hetkel jaekaubanduses toimuvat, toidukauba kategoorias?

Hetkel on jaekaubanduses konkurente päris palju ja *klieente meelitatakse just hinnaga. Müüakse väga madala ja isegi miinusesse mineva marginaliga tooteid*, pigistatakse ka hankijaid, et saada mahtude pealt häid hindu. Paljud hinnatundlikud kliendid valivad põhiliselt just hindade järgi kauplusi, kuid unustades selle, et hea hinnaga tooteid on vähe ja lõppude lõpuks maksavad nad ikkagi toidukorvi eest rohkem. Seda on näha ka hinnauuringutes. Millised tooted meelitavad hea hinnaga kliente poodi: piim, kirde sai, õlu, makaron, koerakassi toit, banaan jne. Välja on kujunenud klientide seas kindlad kaupluste külastuharjumused: kes külastavad discounteri poodi, kes supermarketeid, kes hypermarketid ja kes kaubamajasid. *Hinnatasemete poolest on discounterid kõige odavamad hindade poolest kuid ja sortiemnt väike*, kaubamajades on jälle väga kõrged hinnad. Uuringute järgi on need lausa 10% kallimad.

Kui soovid midagi täpsemat siis anna teada.

1. How do you think consumers make their decisions about which shop to visit?

Vastus: Tarbija külastab eelkõige kauplusi mis on talle kõige mugavamad külastada, eelkõige siis asukoht. Lisaks on teised väärtused: hinnatase, parkimisvõimalused, kliendikaardid (kliendipakkumised), ostmise lihtsus, teenindustase, jne.

1. Do you actively manage your store layout (space management)²⁴? Based on what, do you make decision regarding layout?

Vastus: Space management toimib meil mitte igas tooterühmas. Hetkel kasutatakse riiulikaarte toidukauba järgmistes osakondades: alkohol, kuivaine, loomatarbed-toidud ja kosmeetika. Selle aasta lõpuks peaks olema kaasa haaratud kogu toidukaup ka juba osaliselt tööstuskaubad. *Riiulikaartide tegemisel kasutatakse palju Soome emafirma poolt aastaid väljatöötatud loogikat*. Kauba paiknemised riiulitel on soovitatud Soome poolt (s.t. klientide loogilisus ja kaupade leidmise lihtsus) ja meie spaceman pildistades tooteid mida müüakse Eestis ja sobitab need riiulisse. Valmis kaardid saadetakse majadele ja tooted paigutatakse ringi vastavalt antud kaardile.

1. Please prioritize according to your view, what matters most for your consumers when making purchase decision on food products?

10	Brand
1	Price
9	Placement on shelf
8	Availability of product
7	Need for the product
3	Promotion
5	Buying comfort
6	Placement in store
2	Novelty of the product
11	Service quality
10	Packaging
4	TV advertising
?	Peer recommendation

²⁴ store layout (space management) – how the product categories are arranged and displayed in the store.

1. What are in your opinion the major differences between Baltic countries in terms of trade structure and trade approach towards consumer?

Ma ei tea kas ma sest küsimusest õigesti küll aru sain aga kui tegemist on kaubandus struktuuri ja kaubandusliku lähenemise erinevusest siis kahjuks ma tõesti ei oska vastata. Kindel erinevus võib olla ostukäitumises aga muud ma ei tea lihtsalt arvata.

1. How do you choose the assortment into your shop(s)?

Lähtuvalt kliendivajadustest, ostujuhi kompetentsusest. Sortimendi valik pole mitte ainult ühe konkreetse inimese arvamus vaid koos on nn. sortimendikoosolek, kuigi lõpliku otsuse teeb ostujuht. Toidukauba puhul on ka degusteerimised, hinna ja kvaliteedi suhe, inimeste harjumused, toodete reklaam TV, raadios, lehes,

1. What are the most efficient marketing tools employed by retailers to invite consumers to their shops?

HIND, HIND, HIND (läbi tele, radio, otseposti vms.)

1. In your opinion, what increases the consumption more, the shop layout or the brands available?

Põhimõtteliselt mõlemad aga kui valida siis esimene. Teada on ju inimeste impulsiivostukäitumine seoses väljapanekutega

1. Are the consumer different in 3 Baltic states? How?

Kindlasti on. Võibolla raha omamise ja kulutamise suhtes. Kindlasti on lätlastel rohkem kulutamisevõimalusi kui leedukatel aga tõsiselt ei tea võibolla ka vastupidi. Kui soomlaste kohta küsida oskasin paremini vastata.

1. What is the structure of retailing in 5 years in your opinion?

Seda võin öelda mis on juhtunud viimase viie aastaga aga mis hakkab juhtuma viie aasta jooksul: arvatavasti tuleb juurde veel suuri tegijaid ja väikesed tegijad lihtsalt kaovad ära. Juurde tuleb kindlasti discounter tüüpi poode, mille põhieeliseks on hind ja põhipuuduseks piiratud sortiment.

Survey nr. 3 - Estonia

E-Mail Survey for Retail Values for Graduate Research Project

Name (Your name will not be used in any written materials that I produce)	
Phone number	
E-mail address	
Occupation	KA Manager
Company	Unilever Baltic
Time	17. March 2005
Follow-up	Can I contact you directly for clarification? Yes/No

Questions to retail experts:

2. Could you please comment briefly upon the current situation of retail environment in your country (with particular reference to the fast moving consumer goods industry especially foods categories)?

Over past 5 years the retail market has become much more active and aggressive. Estonian market has several strong players on the market. And more chains entering. *The big growth of discounters is trend for past two years.* T-market entry, Säästumarket growth, Lidl coming soon. It makes the position of hyper and retailers harder to sustain and protect. The joint venture of Rimi and Citymarket is a clear sign of unstable market where extra power to compete is needed.

2. How do you think consumers make their decisions about which shop to visit?

Most of all it is probably convenience, what is on the way or close to home. *During the week the shopping is done most likely in smaller shops close to home and during the weekend the big supermarkets with other shops as well.*

2. Do you actively manage your store layout (space management)²⁵? Based on what, do you make decision regarding layout?

As a supplier to retailers, we try to help and influence the decision of retailer. *We give info on market shares and recommendation how to manage shelf.* Often it is not taken into account but some places they do listen and it has shown positive results for total turnover. *The aim of the shelf management is to increase the turnover of total category and best rotation for retailer* but retailers don't trust the marketeers.

2. Please prioritize according to your view, what matters most for your consumers when making purchase decision on food products?

5	Brand
4	Price
6	Placement on shelf
1	Availability of product
2	Need for the product
7	Promotion
11	Buying comfort
3	Placement in store
12	Novelty of the product
13	Service quality
9	Packaging
8	TV advertising
10	Peer recommendation

2. What are in your opinion the major differences between Baltic countries in terms of trade structure and trade approach towards consumer?

The Estonian market has most and most equal retailers. The competition is tough. Lativa seems to be less professional market and Lithuania dominated by one retailer (VPM)

2. How do you choose the assortment into your shop(s)?

We propose product and retailers have *assortment committees few times a year.*

2. What are the most efficient marketing tools employed by retailers to invite consumers to their shops?

Now they are doing lot of *TV advertising and telling they are price leaders.* Also magazines which are distributed via direct mail. Also cards and promotions.

²⁵ store layout (space management) – how the product categories are arranged and displayed in the store.

2. In your opinion, what increases the consumption more, the shop layout or the brands available?

Many shops are so similar that the layout in the store really does not matter any more. It is more the assortment. But it is also quite similar in most retailers, not it discounters. The best assortment is of course Stockmann but it is not everyday shopping. If to choose one, I think *the brands and assortment determines if people come to this shop and the layout in the store stimulates the buying in the store.* Many displays and promotions always help.

2. Are the consumer different in 3 Baltics states? How?

Yes, very different. Lithuanians like crap products (*low quality low cost*), Latvians just cheap stuff and Estonians want higher quality and Finnish consumers in Tallinn area help also.

2. What is the structure of retailing in 5 years in your opinion?

Discounters will increase it's share. Most likely more consolidations. *Few strong chains Pan -Baltic and more international retailers.*

Survey nr. 4 - Latvia

E-Mail Survey for Retail Values for Graduate Research Project

Name (Your name will not be used in any written materials that I produce)	
Phone number	
E-mail address	
Occupation	National Sales Manager Latvia
Company	Unilever Baltic
Time	28.02.2005
Follow-up	Can I contact you directly for clarification? Yes

Questions to retail experts:

1. Could you please comment briefly upon the current situation of retail environment in your country (with particular reference to the fast moving consumer goods industry especially foods categories)?

Fast growth of KA over last years. Growth on account of traditional trade, land grab (building new shops and accusation of small chains. *Merge of small local chains also is taking place in order to gain some economy of scale vs. suppliers.* For all of them food makes ca 60%. However, TT is very strong still, especially in a country side, where KA are not active yet because of low purchasing power. Convenient stores are very popular as it is often located near by home and you can go just for basic products (milk, bread, vegetables etc). You are not wasting time in this shops.

Open markets still play important role for the food sales. *Prices are usually lower than in retail, products are very fresh and choice is very wide.* Mainly people buys there fresh vegetables, fresh meat, fresh fish. At the same time, packed food also is available there for good price.

1. How do you think consumers make their decisions about which shop to visit

- price level
- convenience (by the way, close to the home/job)
- loyalty

1. Do you actively manage your store layout (space management)²⁶? Based on what, do you make decision regarding layout?
1. Please prioritize according to your view, what matters most for your consumers when making purchase decision on food products?

	Brand
1	Price (70% - official data of research)
4	Placement on shelf
3	Availability of product
2	Need for the product
5	Promotion
7	Buying comfort
8	Placement in store
11	Novelty of the product
12	Service quality
10	Packaging
6	TV advertising
9	Peer recommendation

1. What are in your opinion the major differences between Baltic countries in terms of trade structure and trade approach towards consumer?
 - Latvia - TT and KA has approx same share.
 - Estonia – KA world.
 - Lithuania – KA world with one giant – VPM. Together with daughter company Aibe makes more that 40% of retail market.
1. How do you choose the assortment into your shop(s)?
1. What are the most efficient marketing tools employed by retailers to invite consumers to their shops? LV - price promo, supported by ATL and BTL support
1. In you opinion, what increases the consumption more, the shop layout or the brands available?
1. Are the consumer different in 3 Baltics states? How?
 - LV . Price driven consumers. Low brand loyalty
 - *EE - Brand/quality drive consumers. Active in promo eg “scratch and win” “collect and send”*
 - LT - Consumers - no commence
1. What is the structure of retailing in 5 years in your opinion? Major share of KA , unfortunately, and some TT and open-markets

Survey nr. 5 - Latvia

E-Mail Survey for Retail Values for Graduate Research Project

Name (Your name will not be used in	
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²⁶ store layout (space management) – how the product categories are arranged and displayed in the store.

any written materials that I produce)	
Phone number	
E-mail address	
Occupation	Sales Development Manager
Company	Unilever Baltic (responses refer to Latvia)
Time	12 March 2005
Follow-up	Yes

Questions to retail experts:

1. Could you please comment briefly upon the current situation of retail environment in your country (with particular reference to the fast moving consumer goods industry especially foods categories)?

- To my mind food retail in Latvia is still far from being mature. The share of KAs is still around 55% for food. Rural area is hardly touched by modern trade. There are several pan-Baltic players (Rimi – aiming at 25% of the market, VPM – 22% at present, soon IKI will appear) and several local KAs, taking much smaller shares. *Recently local players have tried to create a union*, but they are struggling to do it with no expertise and generally low level of professionalism/far from being advanced systems.

1. How do you think consumers make their decisions about which shop to visit?

- My guess would be that they mostly do their “everyday” shopping in the store located closest to home. On week-ends they visit bigger stores (hypermarkets), the choice for which is based on location, current promotions advertised and general image of the chains. Often they shop in big trade centers where they use to go for non-food shopping in this case with no particular chain preference.

1. Do you actively manage your store layout (space management)²⁷? Based on what, do you make decision regarding layout?

- No clear idea! I suppose in Rimi/VPM they should do it, but I have no idea what’s the basis. Probably for Rimi it’s some Scandinavian model/best-practice.

1. Please prioritize according to your view, what matters most for your consumers when making purchase decision on food products?

6	Brand
2	Price
9	Placement on shelf
3	Availability of product
1	Need for the product
4	Promotion
11	Buying comfort
12	Placement in store
13	Novelty of the product
10	Service quality
8	Packaging
5	TV advertising
7	Peer recommendation

1. What are in your opinion the major differences between Baltic countries in terms of trade structure and trade approach towards consumer?

- *Lithuanians are pushing on promotions, prices, cheap stuff. They stress local origin of the chains and appeal to traditional family/nation values. Estonia is more about assortment/taste/service.* Latvia is somewhere in between

²⁷ store layout (space management) – how the product categories are arranged and displayed in the store.

1. How do you choose the assortment into your shop(s)?

- NA

1. What are the most efficient marketing tools employed by retailers to invite consumers to their shops?

- Promotional leaflets/ promotions themselves

1. In your opinion, what increases the consumption more, the shop layout or the brands available?

- Sadly it's the shop layout, though it should depend from category to category (some are less brand loyal and some more)

1. Are the consumers different in 3 Baltic states? How?

- Recently I have started to think that they are getting more and more similar. Though of course tastes naturally differ.

1. What is the structure of retailing in 5 years in your opinion?

- Retail will be more and more competitive field, pushing further on suppliers and optimizing the supply chain (smaller, but more effective assortment; better promotions management). Discounters will grow (especially in Latvia) since they are relatively underdeveloped.

Survey nr. 6 – Latvia

Name (Your name will not be used in any written materials that I produce)	
Phone number	
E-mail address	
Occupation	Expansion manager
Company	RIMI Baltic
Time	12.03.05
Follow-up	Can I contact you directly for clarification? Yes/

Questions to retail experts:

1. Could you please comment briefly upon the current situation of retail environment in your country (with particular reference to the fast moving consumer goods industry especially foods categories)?

Increasing consolidation, increasing price competition.

1. How do you think consumers make their decisions about which shop to visit?

Accessibility and price image are important. Accessibility means different things for each group – pedestrians, drivers.

1. Do you actively manage your store layout (space management)²⁸? Based on what, do you make decision regarding layout?

I am not involved in that, but layout of the store is very important and being managed.

1. Please prioritize according to your view, what matters most for your consumers when making purchase decision on food products?

Depends on customer group, but on average:

3	Brand
1	Price
3	Placement on shelf
	Availability of product

²⁸ store layout (space management) – how the product categories are arranged and displayed in the store.

2	Need for the product
1	Promotion
4	Buying comfort
3	Placement in store
4	Novelty of the product
4	Service quality (depends what is meant by that, assume it is extra service, not the standard requirements)
3	Packaging
3	TV advertising
3	Peer recommendation

1. What are in your opinion the major differences between Baltic countries in terms of trade structure and trade approach towards consumer?

Market shares of main retailers are different. Market shares of key formats are different (HD, supers, hypers).

1. How do you choose the assortment into your shop(s)?

Sorry, I do not choose.

1. What are the most efficient marketing tools employed by retailers to invite consumers to their shops?

Not my direct responsibility.

1. In your opinion, what increases the consumption more, the shop layout or the brands available?

I guess there are more important factors than both (e.g. price), but both are important.

1. Are the consumer different in 3 Baltic states? How?

It is difficult to say that they are very different. *The retail markets have historically developed in different way (competition, formats), but the differences should decrease in future.*

1. What is the structure of retailing in 5 years in your opinion?

Discount format will have larger share in Baltics than today. The market will be more consolidated,

Survey nr. 7 - Lithuania

E-Mail Survey for Retail Values for Graduate Research Project

Name (Your name will not be used in any written materials that I produce)	
Phone number	
E-mail address	
Occupation	Key Account Manager
Company	Tetra Pak Lithuania
Time	25.03.2005
Follow-up	Can I contact you directly for clarification? Yes

Questions to retail experts:

1. Could you please comment briefly upon the current situation of retail environment in your country (with particular reference to the fast moving consumer goods industry especially foods categories)?

Lithuanian consumer is mostly oriented towards cheaper products and discounted prices of branded products. In food and drinks sector only those brands which have invested in marketing vast amounts have earned the brand word. Nevertheless, although many consumers cherish it as a brand, nothing stops them from choosing the cheaper alternative.

Many food products have become the commodities where only price is the choice criteria. Retailers are shrinking their assortment by replacing brands with retail labels.

For FMCG products, there is a constant fight for better price. Lithuania has two consumer classes – very upmarket and low-end, there is only limited proportion of middle class. This way, some of the products in retail are with outstanding luxury prices and others – very cheap.

Lithuanian origin products become more popular among consumers, copies of international brands or strong origin products increase the facings.

The retail growth indicates consumer preferences – last year Norfa (a discounter chain) has experienced the biggest expansion – 48% growth, Saulute (VPMarket discounter) is also recognized by shoppers as the most popular.

Markets are still remaining very popular for food products: 50% of milk is sold through direct sales from farmer or through open market.

1. How do you think consumers make their decisions about which shop to visit?

Saulute is mentioned in food consumer research stores as the most popular for visiting (32% of respondents), motives being – “small and handy”, “known assortment”, “close to home”.

For weekly purchases, 30% of consumers prefer VPMarket stores, 26% - Norfa, 16% - IKI.

VPMarket is a family store, giving most of benefits for loyal users and providing widest assortment of products – consumer knows he can find everything. IKI is more specializing on selected goods, and it’s own imported goods. The level of this store visitors is more of the up market (with some exceptional stores). Many consumers of IKI are attracted by its freshly made confectionery products.

1. Do you actively manage your store layout (space management)²⁹? Based on what, do you make decision regarding layout?

We prepare planograms for the store layout together with milk product producers. In milk section the layout is most of the time pre-defined by the retailers – bottom shelves are given for cheapest pouch packed milk products, carton receives one or two shelves in the eye level, plastic bottles and more expensive products are placed on the top. For milk buyers it is always easy to know where to look for cheapest milk, this being a hinder for carton products to increase the sales.

Facings of products are pure economical decision – if one can pay for the facing the requested retail amount. Retailers are discriminating producers quite severely. Even if products are rotating with fast speed, there is always a bigger discount request from the retail.

1. Please prioritize according to your view, what matters most for your consumers when making purchase decision on food products?

10	Brand
3	Price
2	Placement on shelf
9	Availability of product
1	Need for the product
7	Promotion
	Buying comfort
4	Placement in store
5	Novelty of the product
	Service quality
6	Packaging
8	TV advertising
	Peer recommendation

1. What are in your opinion the major differences between Baltic countries in terms of trade structure and trade approach towards consumer?

²⁹ store layout (space management) – how the product categories are arranged and displayed in the store.

Lithuania has developed a more centralized retail with concentration of retail market into 3 chains hands. This puts a lot of pressure on producers and distributors.

Estonia has the most developed retail, but it is more open towards negotiations and relationships with producers/importers. Producers can form alliances against the discriminating retailers. *Chains are built on the Scandinavian retail base.*

Latvia is most fragmented out of the three retail markets with small corner stores remaining popular. The expansion of VPMarket to Latvia over last two years have speeded up the retail concentration.

1. How do you choose the assortment into your shop(s)?

Mainly decided by the retailer, if not before launch, then after launch examining the sales results.

1. What are the most efficient marketing tools employed by retailers to invite consumers to their shops?

One year ago – it was loyalty cards. Big retail lotteries (like win a house, a flat, etc.) are remaining popular among consumers. *Lately retail chains have started to work on the image and let out some positioning campaigns.* I believe that mainly the price level, store assortment and layout – are criteria's for the consumers. *VPMarket – family shop for big purchases with everything inside, IKI – more luxury, exclusive, limited assortment, higher prices, NORFA – for those who look for cheapest and do not pay attention to store view.*

1. In your opinion, what increases the consumption more, the shop layout or the brands available?

Shop layout.

1. Are the consumer different in 3 Baltics states? How?

Lithuanians are looking for cheapest, Latvians do not pay too much attention to price (big portion of buyers is influenced by Russian consumers who always want to show off and acquire the best), Estonians are more consumer educated – know their rights, expect respect for their assortment preferences, can pay higher prices for Finish goods. Such food products as portion packs have success only in Estonia – showing that consumers like to make small purchases, like ready made products more and do not care about price that much.

1. What is the structure of retailing in 5 years in your opinion?

Most of Baltic markets will be retail concentrating – with only “next to home” smaller corner stores remaining. *There is expectation for more specialized food stores to develop: meat, fresh milk products, bakeries, etc.*

The Euro appearance in 2007 will drive most of prices up, that big collapse in retail market can be expected. Consumers in Lithuania will still remain very cautious about price and less involved in product categories or brand awareness.

Survey nr. 8 - Lithuania

E-Mail Survey for Retail Values for Graduate Research Project

Name (Your name will not be used in any written materials that I produce)	
Phone number	
E-mail address	
Occupation	Export manager
Company	AB “Rokiskio suris”
Time	28.03.05

Follow-up	Can I contact you directly for clarification? Yes/No
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Questions to retail experts:

1. Could you please comment briefly upon the current situation of retail environment in your country (with particular reference to the fast moving consumer goods industry especially foods categories)?
 2. Retail is concentrate in 4 big general retail chains. The small shops is closing. There are requirement very big and many functional markets in big towns at this moment.
1. How do you think consumers make their decisions about which shop to visit?
 2. I think yes.
1. Do you actively manage your store layout (space management)³⁰? Based on what, do you make decision regarding layout?
 2. Yes. (Sorry, but I don't understand second part of this question.)
1. Please prioritize according to your view, what matters most for your consumers when making purchase decision on food products?

	Brand
x	Price
	Placement on shelf
x	Availability of product
	Need for the product
x	Promotion
	Buying comfort
	Placement in store
	Novelty of the product
	Service quality
x	Packaging
x	TV advertising
	Peer recommendation

1. What are in your opinion the major differences between Baltic countries in terms of trade structure and trade approach towards consumer?
 2. I mean, that the general differences aren't between Baltic countries in terms of trade structure and trade approach towards consumer. Retail chains are the same in all Baltic countries. Commodity are similar in all Baltic countries.
1. How do you choose the assortment into your shop(s)?
 2. I turn attention in packing functional, price and product advertising.
1. What are the most efficient marketing tools employed by retailers to invite consumers to their shops?
 2. *Commodity promotions, different lottery and games.*
1. In you opinion, what increases the consumption more, the shop layout or the brands available?
 2. I think, the brand available.
1. Are the consumer different in 3 Baltics states? How?
 2. I think, consumers are not different in Baltic states.

³⁰ store layout (space management) – how the product categories are arranged and displayed in the store.

1. What is the structure of retailing in 5 years in your opinion?
2. The will not be general changes in retailing. Maybe will being more cheap retail chains, like “Super Netto” or “Lidl”.

Survey nr. 9 - Lithuania

E-Mail Survey for Retail Values for Graduate Research Project

Name (Your name will not be used in any written materials that I produce)	
Phone number	
E-mail address	
Occupation	National sales manager
Company	Unilever Lithuania
Time	12.04.2005
Follow-up	Can I contact you directly for clarification? Yes/No

Questions to retail experts:

- Could you please comment briefly upon the current situation of retail environment in your country (with particular reference to the fast moving consumer goods industry especially foods categories)?
- How do you think consumers make their decisions about which shop to visit?
 1. *space + assortment,*
 2. *price,*
 3. *loyalty programs,*
 4. *location.*
- Do you actively manage your store layout (space management)³¹? Based on what, do you make decision regarding layout?
 1. based on profitability (turnover, margin);
 2. target consumer group.
- Please prioritize according to your view, what matters most for your consumers when making purchase decision on food products?

2	Brand
4	Price
6	Placement on shelf
3	Availability of product
1	Need for the product
7	Promotion
5	Buying comfort
10	Placement in store
13	Novelty of the product
12	Service quality
9	Packaging
11	TV advertising
8	Peer recommendation

³¹ store layout (space management) – how the product categories are arranged and displayed in the store.

- What are in your opinion the major differences between Baltic countries in terms of trade structure and trade approach towards consumer?
 1. KA shares;
 2. Number of promotions, price, assortment.

- How do you choose the assortment into your shop(s)?
 1. *based on profitability (turnover, margin);*
 2. *target consumer group.*

- What are the most efficient marketing tools employed by retailers to invite consumers to their shops?
 1. Price, promo, advertising (TV, press, retail magazines, radio), place, loyalty programs, service quality.
- In your opinion, what increases the consumption more, the shop layout or the brands available?
 1. depends on categories – if brands are strong in selected category, then brands. If brands are weak – layout.
- Are the consumers different in 3 Baltic states? How?

LT more similar to PL. Also prefer local brands – more local producers (margarine, milk, meat, bread). Trade concentration.
- What is the structure of retailing in 5 years in your opinion?

5 main KA's 80% of the market, TT –20%.

Appendix E

ELULUGU

Nimi: Marit Aas
Sünniaeg: 07. aprill 1976
Posti aadress: Järvekalda 17-8 Harkujärve küla Harku vald 76902 Harjumaa Eesti
Elukoht: Kralingseweg 121, Rotterdam 3062MB, Netherlands
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Haridus ja kvalifikatsioon:

2002-praegu **Tartu Ülikool**
Sotsioloogia magistratuur

1994-1999 **Eesti Kõrgem Kommertsikool**
BBA Rahvusvaheline Ärijuhtimine, spetsialiseerumine turunduses. Diplomitöö inglisekeelne "Social marketing in non-profit organizations" (Sotsiaalturundus mittetulundusühingutes)

1997-1998 **Columbus State University**
BBA programm spetsialiseerumisega marketingi erialale.

Jaan.-dets. 1996 **Up With People**
Üks aasta vältav noorte liidrite arendusprogramm. Programmi eesmärk oli arendada osalejate organiseerimis- ja suhtlemisoskusi, avardada silmaringi, õppida tundma erinevaid kultuure.

1983-1994 **Tallinna Reaalkool**

Töökogemused:

okt. 04 – praegu **Unilever Bestfoods Europe Nassaukade 3 Rotterdam Nehterlands**
Ettevõtte tüüp: küpsetustoodete, leivamäärete ja piimatoodete Euroopa arenduskeskus.
Amet: Euroopa suurlüendijuhtide koordinaator

nov. 01 – okt. 04 **Unilever Baltic LLC Baznica 20/22 Riga Latvia**
Ettevõtte tüüp: laiatarbekaupade Balti piirkonna turustuskeskus.
Amet: Toiduainete turundusjuht (Knorr, Hellmann's, Lipton kaubamärgid)

aug. 00 – nov. 01 **Unilever Baltic LLC Merkela 1 Riga Latvia**
Senior tootejuht Lipton ja Brook Bond kaubamärgid

aprill 98 – aug. 00 **Coca-Cola Baltic Beverages Ltd. Kadaka tee 76C Tallinn**
Ettevõtte tüüp: Coca-Cola peakorter Balti piirkonna villijate ja turustajate jaoks.
Amet: Tootejuht Fanta, BonAqua ja Frisco kaubamärkidele, ühtlasi täitsin ka meediasuhete juhi rolli.

okt. 98 – märts 99 **Coca-Cola Baltic Beverages Ltd. Kadaka tee 76C Tallinn**
Marketingi assistent ja Coca-Cola Light kaubamärgi juht.

juuni 98-okt.98 **AS Eesti Coca-Cola Joogid Kadaka tee 76C Tallinn**
Meedia Assistent

märts - juuni 97 **Columbus State University Columbus GA**
Student Assistant

aprill 97 - sept.97 **Coca-Cola Baltic Beverages Ltd. Kadaka tee 76C Tallinn**
Administratiivassistent

juuli – dets.95 **Raadio TOP Regati pst. 1-6K Tallinn**
Reklaamimüügi juht

jaan.95 – juuni 95 **AS Franten Ltd. Kalmistu tee 26 Tallinn**
Müügisekretär