

Estonian and Latvian business environment survey

Commissioned by: Valga City Government,
Estonian Business Chamber in Latvia

Carried out by: AS Emor



TNS Emor

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1

Survey methodology and main conclusions



Survey objective and methodology

- The survey on Estonian and Latvian companies was carried out within the frames of cross-border cooperation project DELBI. The objective of the survey was to determine the need for support network and partnership search for companies, how prepared to cooperate the companies are and what are the opportunities and deficiencies related to possible cross-border cooperation.
- The target group of this survey were small and medium companies with 1-99 employees in 6 regions in South Estonia (Pärnu-, Tartu-, Põlva-, Valga-, Viljandi- and Võrumaa) and 11 regions in North part of Latvia (Alūksnes, Cēsu, Gulbenes, Limbažu, Madonas, Ogre, Saulkrastu, Siguldas and Valkas area, Jūrmala, Valmiera). The universe is comprised of 9 783 Estonian companies and 5 479 Latvian companies.
- Sample size was 304 companies: 150 in Estonia and 154 in Latvia. To compile the sample base, extracts following the principle of random sampling were requested from national commercial registers. The sample is distributed between regions and sectors according to proportional division of the universe. To achieve the accuracy of the sample, the data has been weighted.
- Interviews were carried out using the CATI method (*Computer Assisted Telephone Interviewing*) and the interviews were conducted at the TNS Emor call centre. In Latvia data collection was carried out by our partner TNS Latvia. Questionnaire consisted of 17 questions and the respondent could answer in Estonian, Latvian or Russian. Fieldwork was carried out during the second half of August in 2012.
- Data analysis was carried out using data processing programs SPSS and Galileo.

Main conclusions (1)



- Latvian companies market their products/services in Estonia somewhat more but general level of cooperation with companies from the neighbouring country is similar. Approximately every tenth Estonian company markets in Latvia (11%) and approximately every fifth Latvian company markets in Estonia (19%). Approximately every fifth Estonian and Latvian company cooperates with companies from the neighbouring country in one way or another (20% and 22% correspondingly). In terms of manner of cooperation, import and export of goods are most dominant. For companies that had cooperated earlier but have terminated it (6% of Estonian and 11% of Latvian companies), non-profitability was the most frequent reason for terminating cooperation.
- Latvian companies' interest in initiating cross-border cooperation is higher compared to Estonia. Estonian companies explain lack of cooperation most frequently by stating the fact that they have not thought about this opportunity; Latvian companies mention most frequently that their products/services are not suitable for the Estonian market, lack of information about the Estonian market and language barriers. 19% of Estonian and 39% of Latvian companies not cooperating today would be interested in expanding their activities to the neighbouring market.
- Latvian companies are more interested in information on the neighbouring market than Estonian companies and they are also better informed on this issue. One quarter (23%) of Estonian companies have looked for/received information about marketing opportunities in Latvia and less than half (41%) note that they would need this kind of information. Latvian companies are more active – half (51%) have received information and more than three quarters of companies (79%) need it. Approximately every fourth Estonian company (23%) and every third Latvian company (35%) would say they have good knowledge of the marketing opportunities for their products/services in the neighbouring country.

Main conclusions (2)



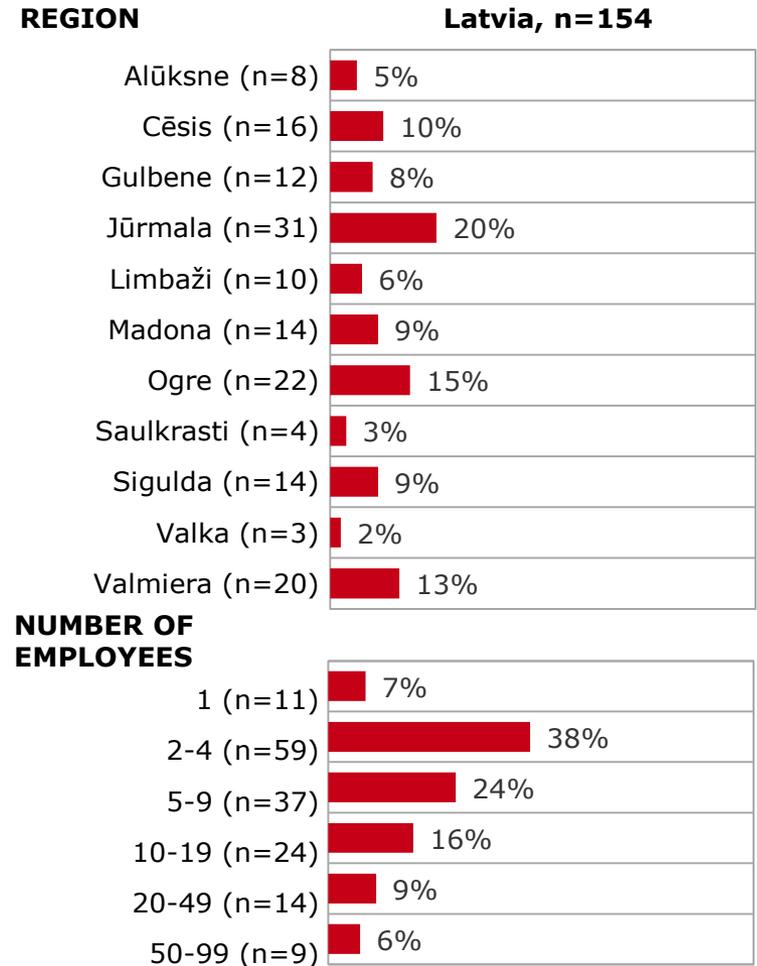
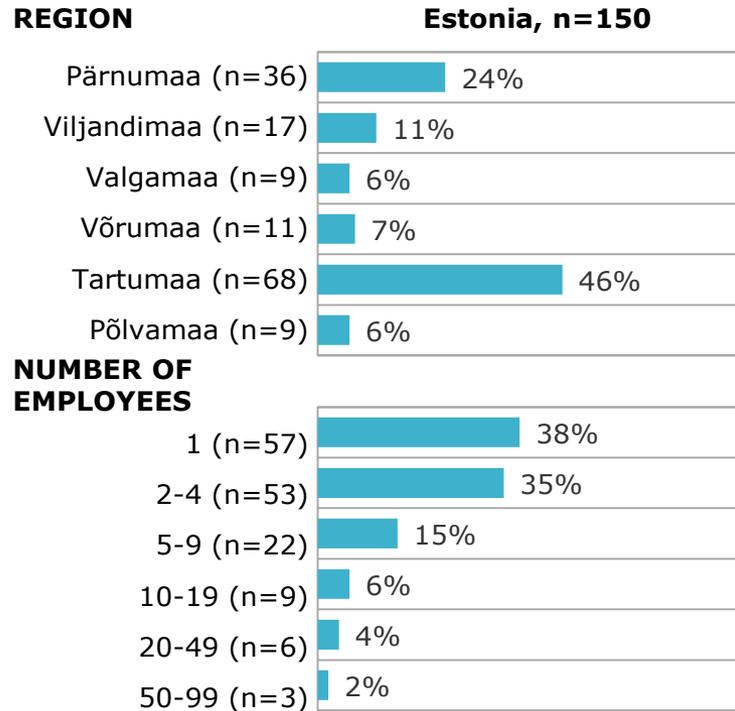
- Information about marketing opportunities has most frequently been obtained through business partners/aquintances or internet. Companies from both countries need the most information about the market situation of a specific field and cooperation opportunities with companies from the neighbouring country. In addition to that, Latvian companies are also interested in information on Estonian legislation and tax system and about seminars/trade fairs and other events taking place in Estonia. The majority of Estonian as well as Latvian companies would prefer an online database to search for partners. Latvian companies also mention an information hotline somewhat more frequently.
- In conclusion, we can say that the general activness and interest towards cross-border cooperation is noticeably higher among North Latvian companies with less than a hundred employees than among South Estonian companies. Latvian companies also plan their future development more specifically – half of the Latvian (48%) and one quarter of Estonian (26%) companies have a development plan for future years. Thus, in case of Estonia the first necessary actions could be those that would increase companies' general interest in the potential of the Latvian market and would make companies think more about cross-border cooperation opportunities. Latvian companies are already more prepared for actions associated with finding specific cooperation partners and initiating cooperation in their field.

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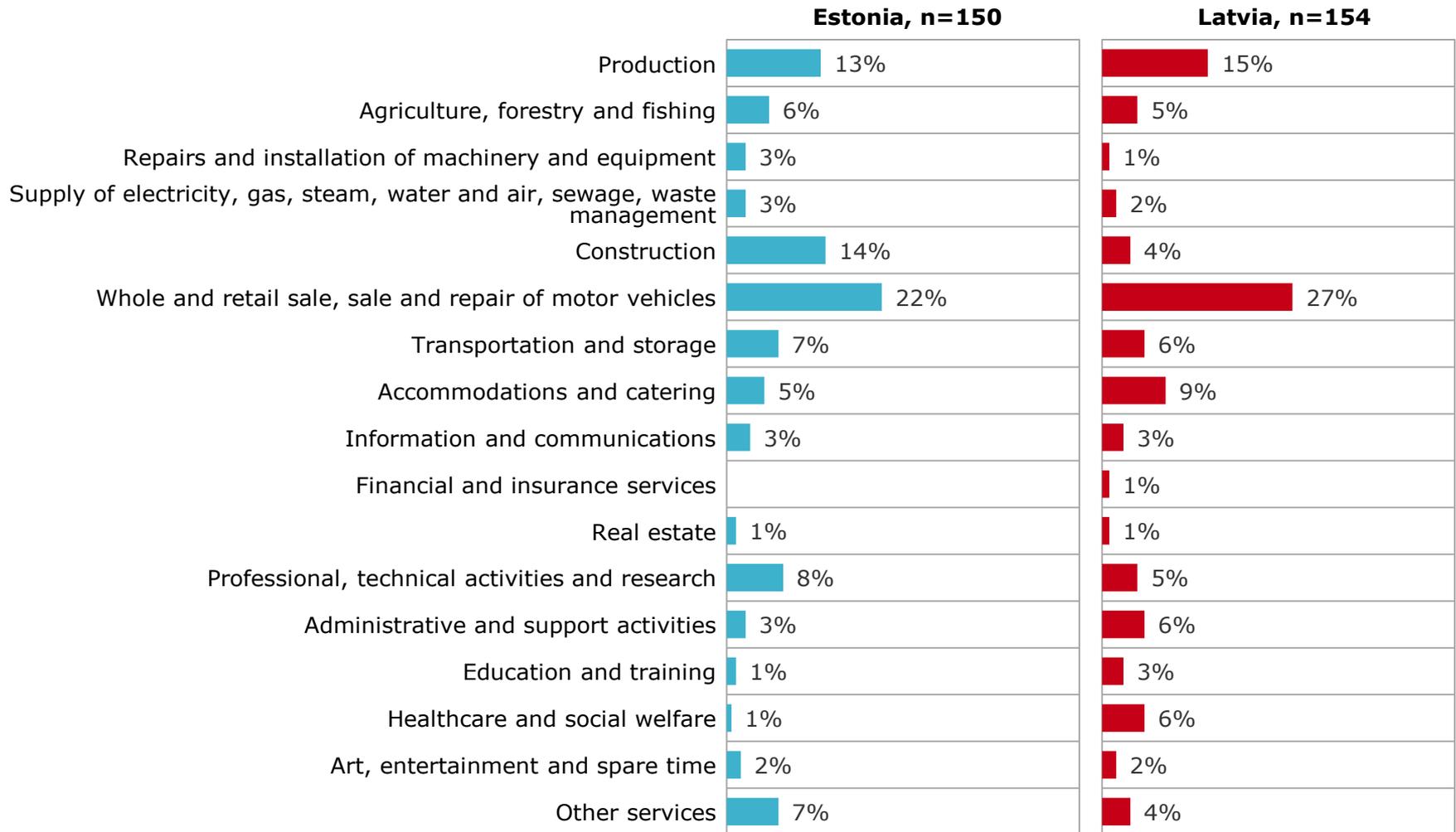
Respondents' profile



Distribution of respondents in the breakdown of region and number of employees

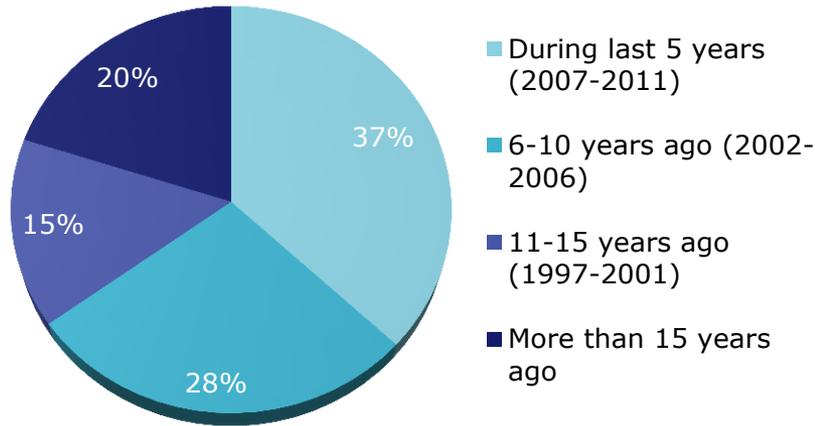


Distribution of respondents in the breakdown of company's main field of operation

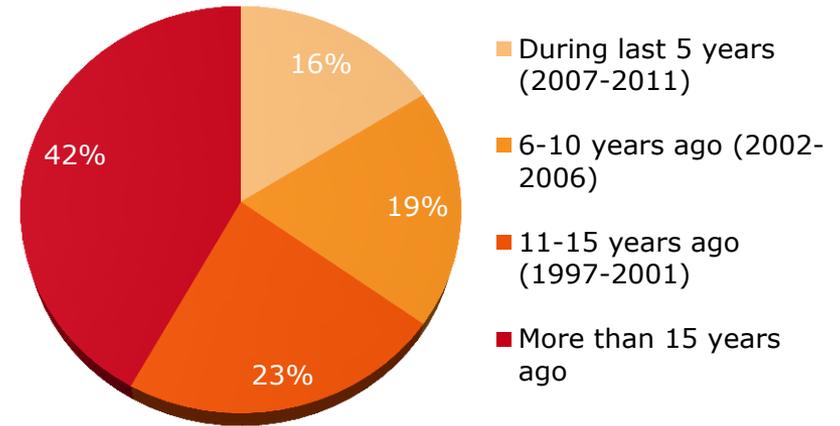


Year of establishing the company

Estonia, n=150



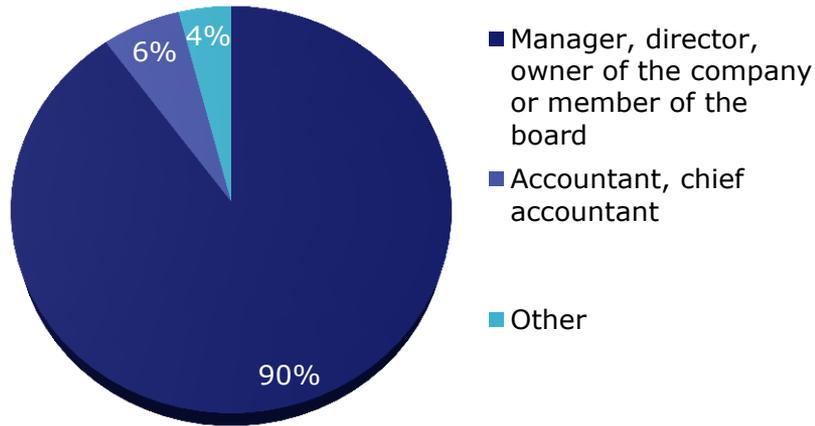
Latvia, n=154



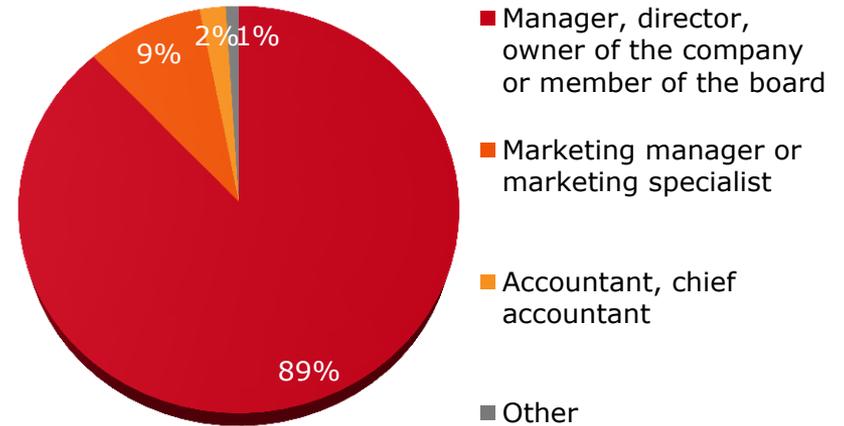
Estonian companies with 1-99 employees that participated in the survey are younger compared to Latvian companies. In Estonia the share of companies that have been established during last five years is double compared to Latvia.

Respondent's position in the company

Estonia, n=150



Latvia, n=154



Company's manager or marketing manager was asked to be the respondent (or the person fulfilling the tasks of a marketing manager). In case of the majority of companies, the respondent was its manager/director or owner.

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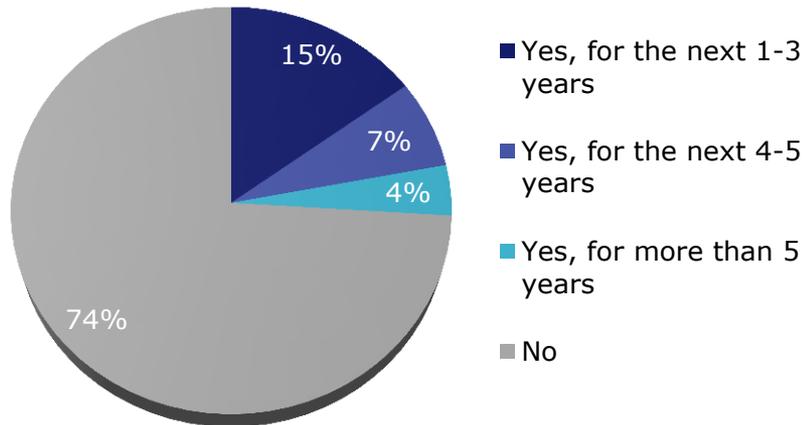
Manner of cooperation
and interest in it



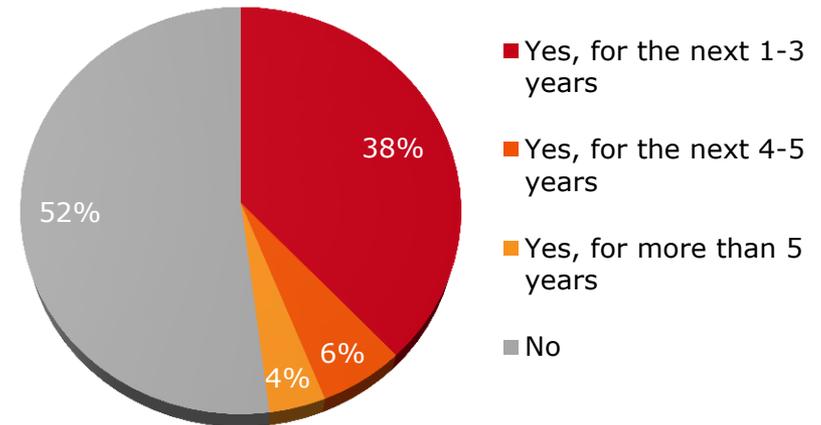
Existence of a development or action plan

Does your company have a development plan or an action plan for the next years?

Estonia, n=150



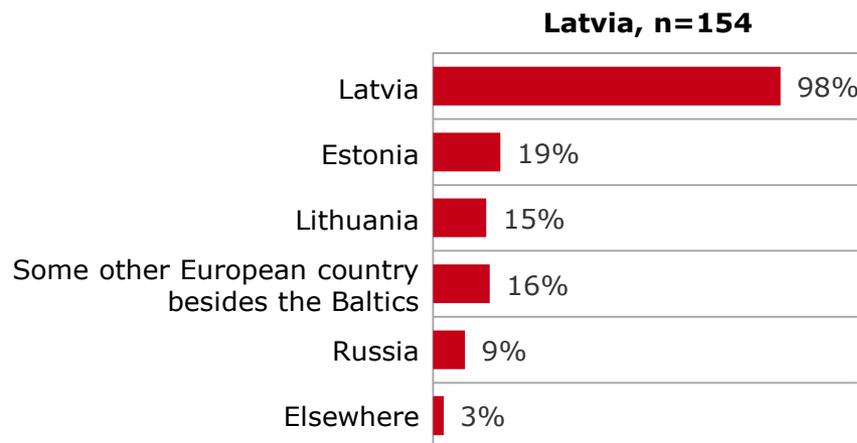
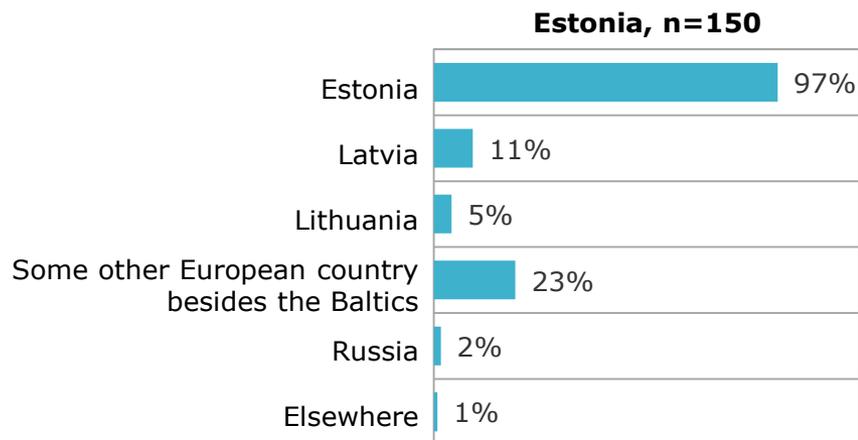
Latvia, n=154



Compared to Estonia, a larger share of Latvian companies have compiled a development plan to guide their activities. In total 48% of Latvian companies and 26% of Estonian companies have a development or action plan.

Countries where products or services are marketed

In which countries does your company market its products or services?

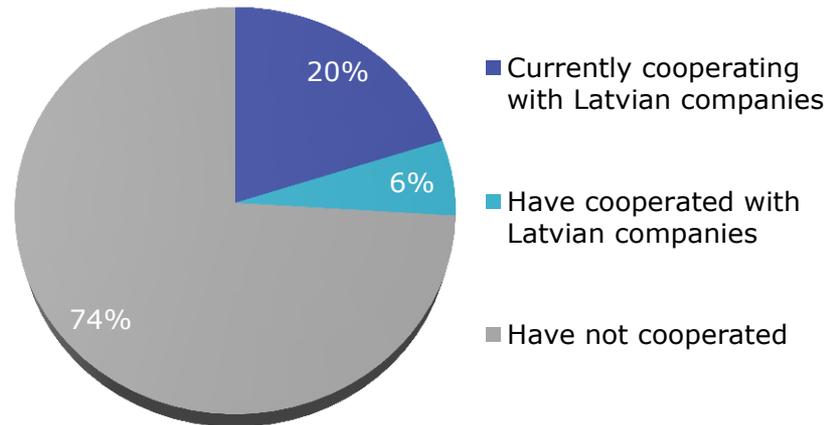


Approximately every tenth Estonian company that participated in the survey distributes its products or services in Latvia and almost every fifth Latvian company markets in Estonia. Respondents who answered "elsewhere" market their products or services primarily in the USA; Australia, Israel and Saudi Arabia were also mentioned.

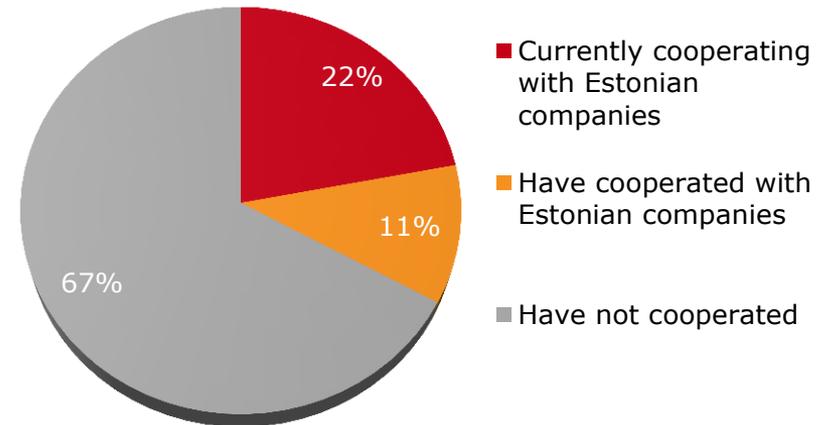
Cooperation with companies in the neighbouring country

Does your company cooperate or has your company cooperated with Latvian/Estonian companies in any way?

Estonia, n=150



Latvia, n=154



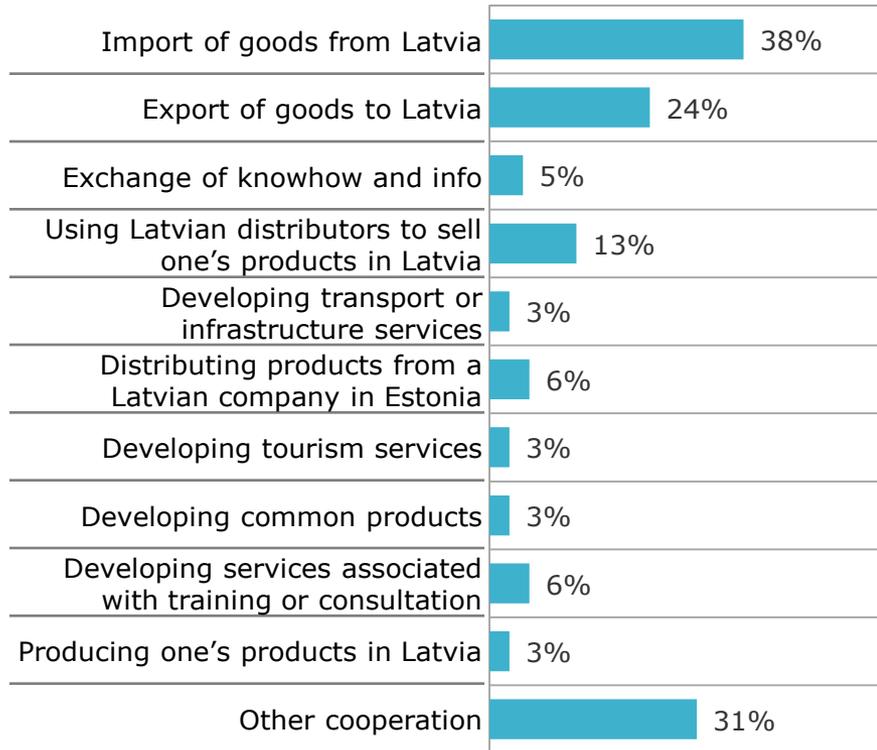
The share of those currently cooperating with companies in the neighbouring country is similar in Estonia and Latvia – approximately one fifth.

Current cooperation with neighbouring country's companies (1)

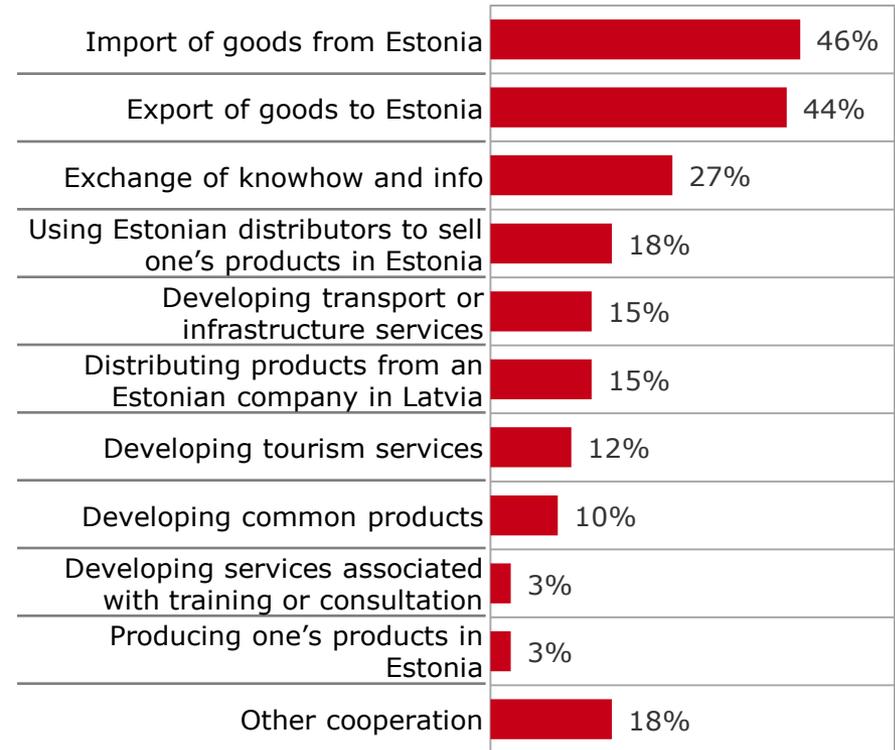
Of those currently cooperating

How is your company currently cooperating with Latvian/Estonian companies?

Estonia, n=30



Latvia, n=34



Estonian as well as Latvian companies mention import of goods from neighbouring countries and export to neighbouring country as the most frequent form of cooperation. Latvian companies are more active than Estonian companies in case of most of the mentioned fields of cooperation.

Current cooperation with neighbouring country's companies (2)

Of those currently cooperating

Respondents who answered „other cooperation“ specified their response as follows:

Estonian companies

- Auditing Latvian companies for an Estonian client
 - A specific construction job in Estonia
 - Purchasing from Latvian distributors
 - Selling products and services to Latvian companies and private persons
 - Cooperating with another company on the jobs
 - Providing transport services to a Latvian company
 - Turbo engine repairs
-

Latvian companies

- Estonians want to have a production unit here and we are helping in planning the structure
 - Purchasing television licence
 - Purchasing
 - Estonian colleagues are contacts for the company
 - Goods go through the Estonian free customs zone
 - Transporting company's good for processing
-

Prior cooperation with neighbouring country's companies

Of those who have cooperated in the past

What kind of prior cooperation has your company had with Latvian/Estonian companies?

Since the number of respondents is small, results have been presented as absolute numbers

	Estonia, n=9
Export of goods to Latvia	2
Import of goods from Latvia	2
Other cooperation	6
	Latvia, n=18
Import of goods from Estonia	9
Export of goods to Estonia	5
Developing transport or infrastructure services	5
Using Estonian distributors to sell one's products in Estonia	4
Exchange of knowhow and info	4
Distributing products from an Estonian company in Latvia	3
Developing tourism services	1
Developing services associated with training or consultation	1
Developing common products	1
Producing one's products in Estonia	1
Branch office in Estonia	1
Other cooperation	3

Respondents who answered „other cooperation“ specified their response as follows :

Estonian companies

- A specific construction job
- Purchasing from a Latvian distributor
- Accounting
- Mediating public procurement participation
- Translations
- Procuring spare parts

Latvian companies

- Obtaining ship tickets through an Estonian company
- Estonian company ordered production of specific machinery parts
- Provided services only to Estonian travel agencies

Reasons for terminating previous cooperation

Of those who have cooperated in the past

Why did you stop cooperating with Latvian/Estonian companies?

	Estonia, n=9
Was not profitable	4
Latvian laws and regulations got in the way of operating in Latvia	1
Our company's line of business changed	1
Other reason	5
	Latvia, n=18
Was not profitable	5
Latvian laws and regulations got in the way of operating in Estonia	3
Our company's line of business changed	3
We were not familiar enough with conditions in Estonia	2
Estonian partner had problems	2
Our products or services were not suitable for the Estonian market	1
Other reason	8

Since the number of respondents is small, results have been presented as absolute numbers.

Two Latvian companies responded „Estonian partner was problematic“. They were asked to specify, what kind of problems they had. They responded: personal problems, competition conflicts.

Respondents who answered „other reason“ specified their response as follows:

Estonian companies

- Have not received orders from Latvia
- Partner in Latvia was restructured; people we dealt with retired.
- Customers closed operations
- Complicated to deal with matters in case of warranty problems
- No need anymore

Latvian companies

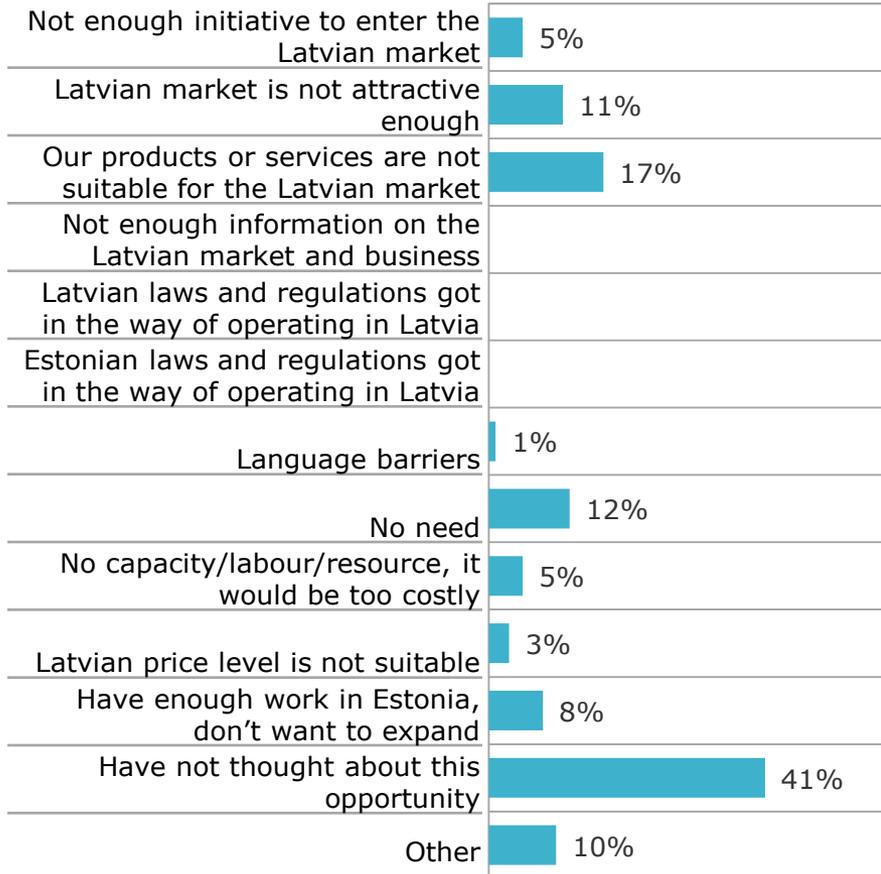
- We were not satisfied with Estonian service prices
- No regular customers in Estonia
- Cooperation was short-term and one-time exchange of experiences, a single project
- Cooperation has not ended but there are no orders at the moment.
- We are always open, have cooperated in the past but have not initiated it
- Stopped temporarily. Providing transport services with Estonian licence plates.
- Drop in Estonian purchasing power.
- Company's economic situation; no real need.

Reasons for not operating on the neighbouring country's market (1)

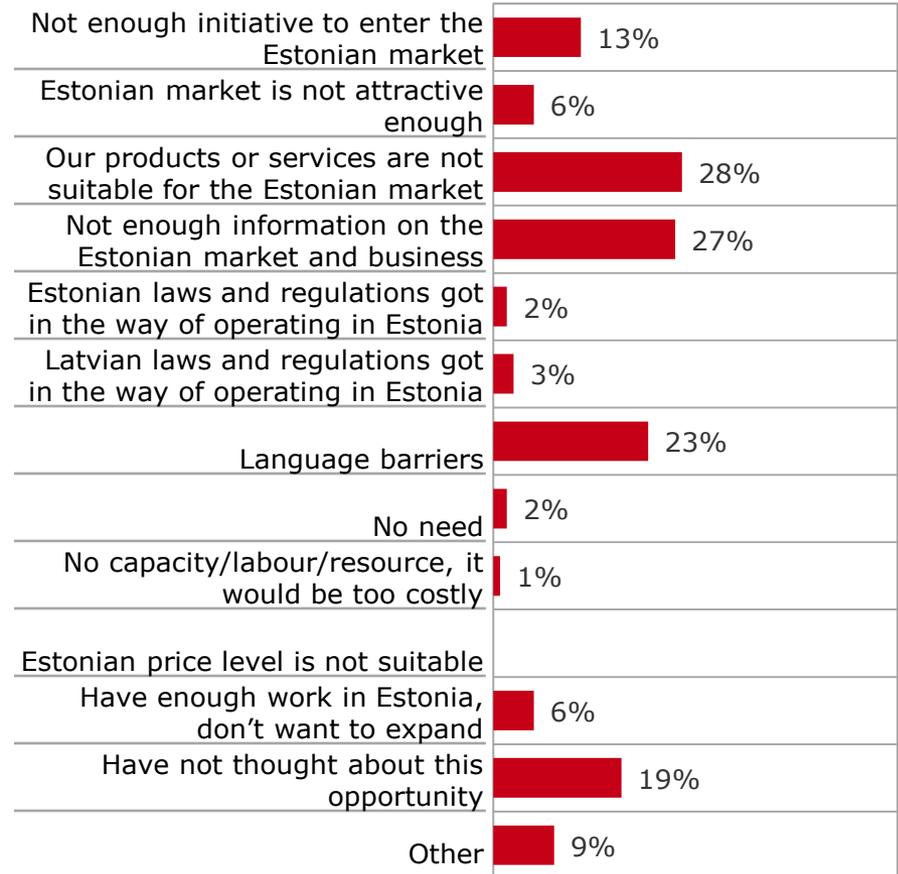
Of those who don't market in the neighbouring country and have not cooperated

Why aren't your companies operating on the Latvian/Estonian market?

Estonia, n=111



Latvia, n=103



Reasons for not operating on the neighbouring country's market (2)

Of those who don't distribute in the neighbouring country and have not cooperated

Reasons for not cooperating with the neighbouring country are different in case of Estonia and Latvia. While the biggest share of Estonian companies choose the response „have not thought about this opportunity“, Latvian companies mention the fact that their products/services are not suitable for the Estonian market, too little information about the Estonian market and language barriers.

Respondents who answered „other reason“ specified their response as follows:

Estonian companies

- We're located too far from Latvia, there are enough companies in the same field in Latvia
 - Distance
 - No time
 - There's a representative in each country, we only communicate with the Germans and they talk to others
 - Latvians have not offered their goods well enough
 - We have a contract only with the State Forest Management Centre
 - We work with a bigger company in Estonia
 - Not the target group
 - We want to work in Estonia and are working on it right now, looking for contacts
 - We purchase certain materials and equipment from Latvia now already, will not exclude providing the service on the Latvian market as well in the future.
 - Other culture
 - Too difficult for one person to deal with all that
-

Latvian companies

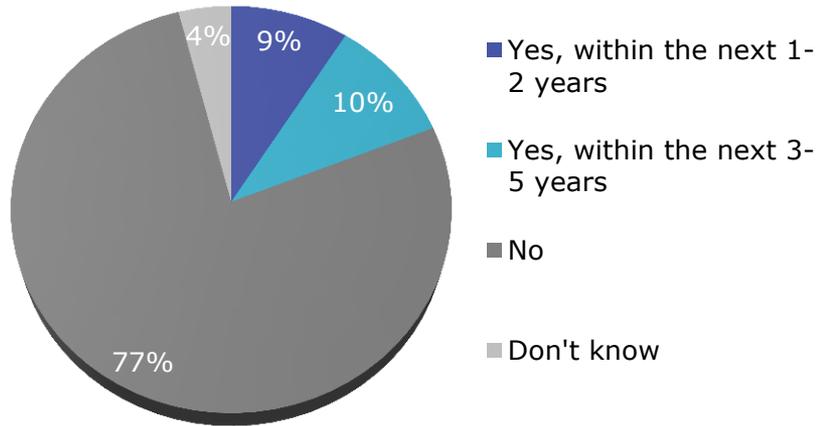
- Estonians provide enough of the given service and it's good quality
 - Territorial location
 - Legislation is not convenient, property rental
 - Should familiarize oneself with Estonian legislation
 - We work only in Sigulda, in Riga region
 - We act in the interest of the members of our cooperative
 - According to regulations, working with Estonia is not allowed
 - Don't believe our products are needed
 - Small quantities
-

Interest in doing business on the neighbouring market

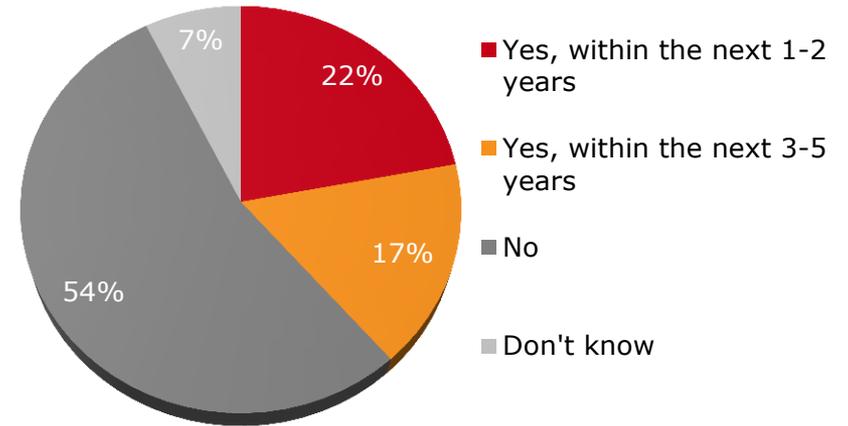
Of those who don't distribute in the neighbouring country and have not cooperated or no longer cooperate

Would your company be interested in doing business on the Latvian/Estonian market in the future?

Estonia, n=119



Latvia, n=109



Latvians are more interested in cooperating – 39% of Latvian companies and 19% of Estonian companies would be interested in doing business on the neighbouring country's market within the next five years.

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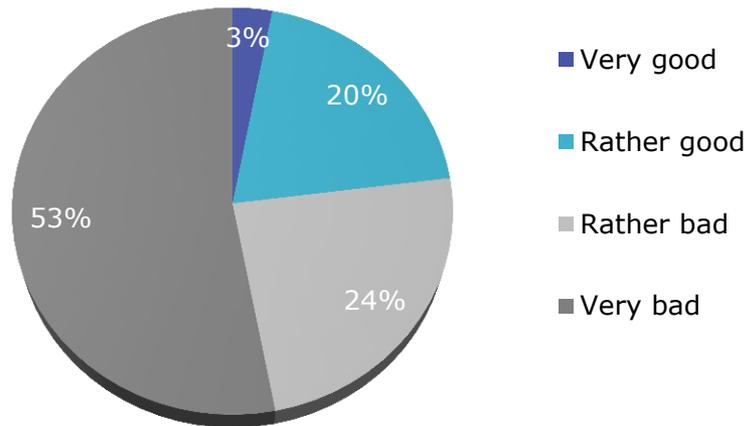
Knowledge and need for information



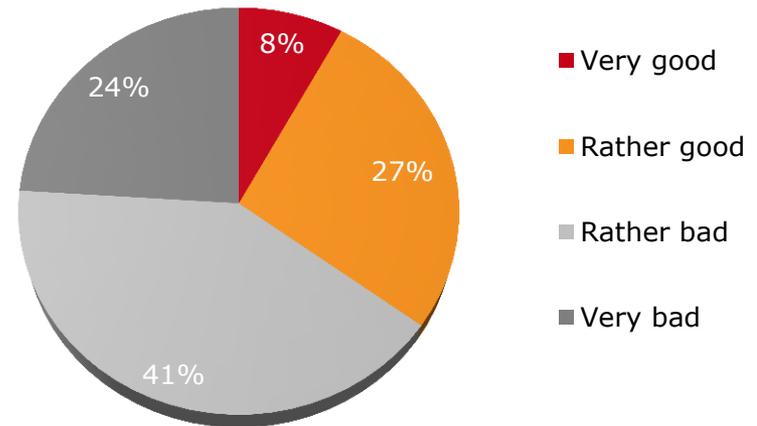
Evaluations to current knowledge of marketing opportunities for one's products/services in the neighbouring country

How would you evaluate your current knowledge of marketing opportunities for your product or services in Latvia/Estonia?

Estonia, n=150



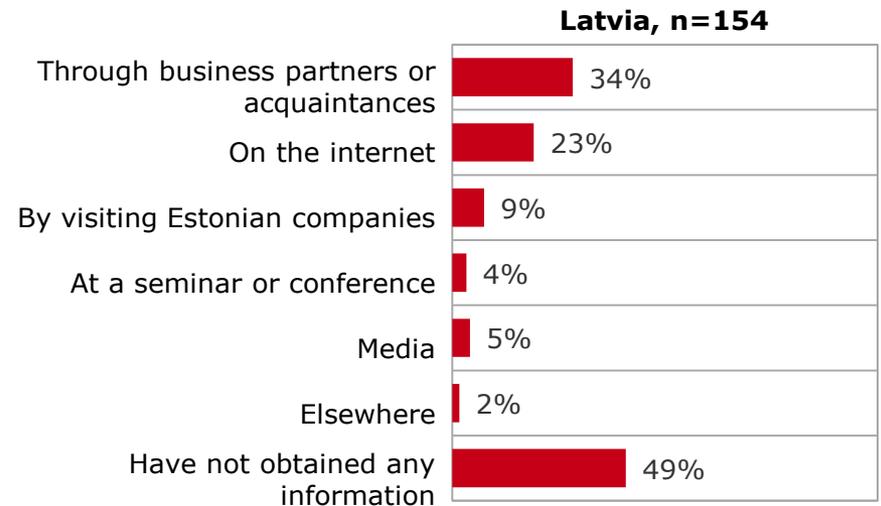
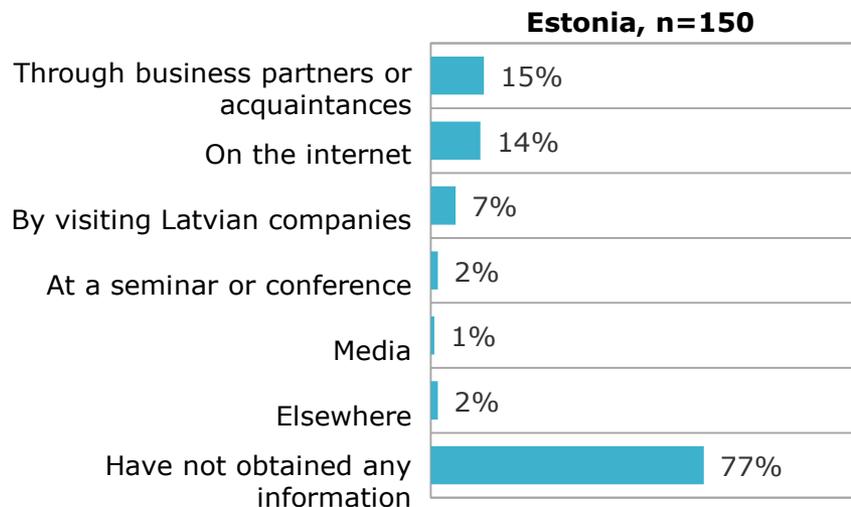
Latvia, n=154



Total of 35% of Latvian companies and 23% of Estonian companies consider their current knowledge of marketing opportunities for their company's product or services in the neighbouring country to be good.

Obtaining information about marketing opportunities in the neighbouring country

Where have you looked for or obtained information about marketing opportunities in Latvia/Estonia during the last 12 months?



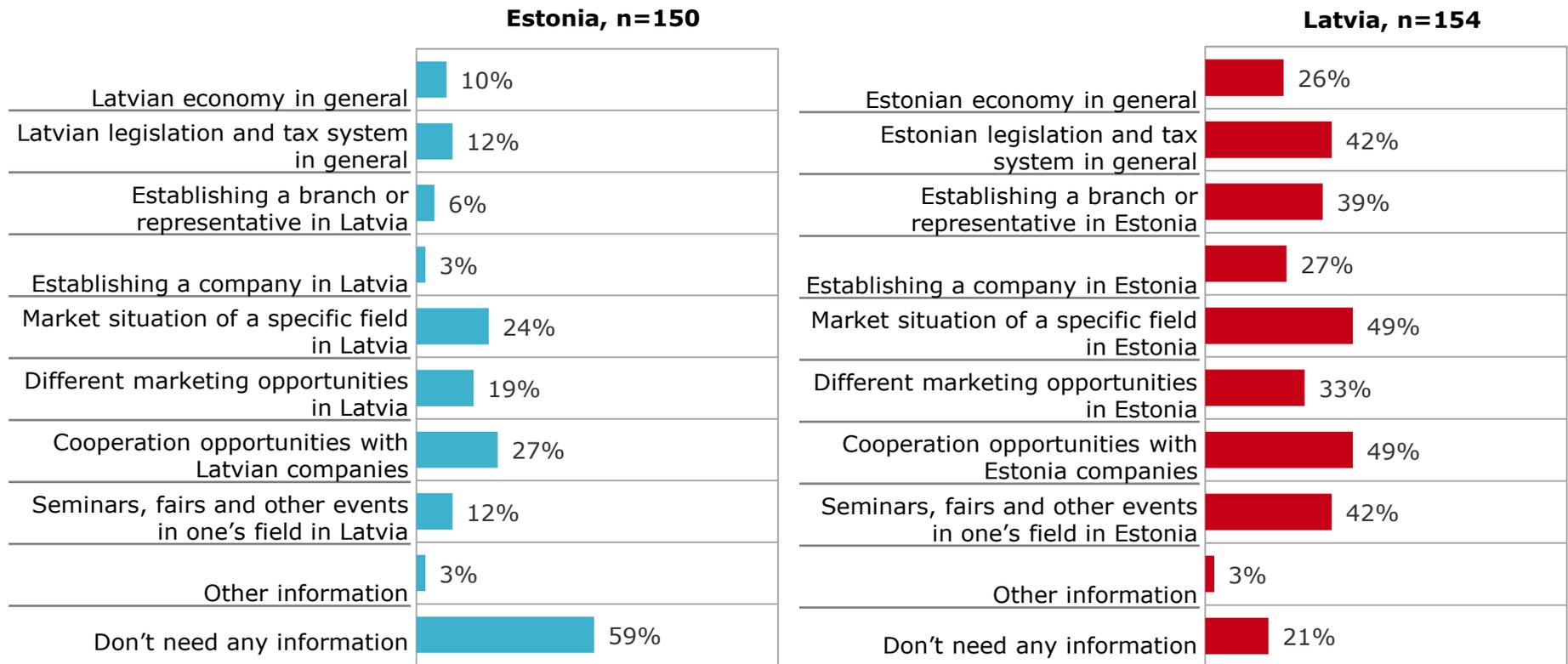
Estonian companies are more passive when looking for/obtaining information about marketing opportunities in the neighbouring country than Latvian companies – three quarters of Estonian companies and half of the Latvian companies have not obtained any information. They have looked for/obtained information most frequently from business partners and acquaintances or on the internet.

Respondents who answered „other cooperation“ specified their response as follows:

- Estonian companies: professional association, experiences, communicating with private persons/consumers in Latvia.
- Latvian companies: exhibitions, word of mouth from customers, we already have contacts.

Need for information about the neighbouring country's economy and market (1)

What kind of information would your company need about Latvian/Estonian economy and market?



The biggest share of Estonian as well as Latvian companies could use information about cooperation opportunities with the neighbouring country's companies or about the market situation of a specific field. Latvians also mention information about events in their field in Estonia and about Estonian legislation and tax system.

Need for information about the neighbouring country's economy and market (2)

Respondents who answered „other information“ specified their response as follows:

Estonian companies

- Price level on the Latvian market
 - Cooperation offer
 - Economic situation of Latvian companies, for example when someone is about to go bankrupt
 - About timber
 - Job offer
 - Can't answer right now because have not thought about cooperating with Latvia. At the same time, if there is an opportunity, I'll have to think about it.
-

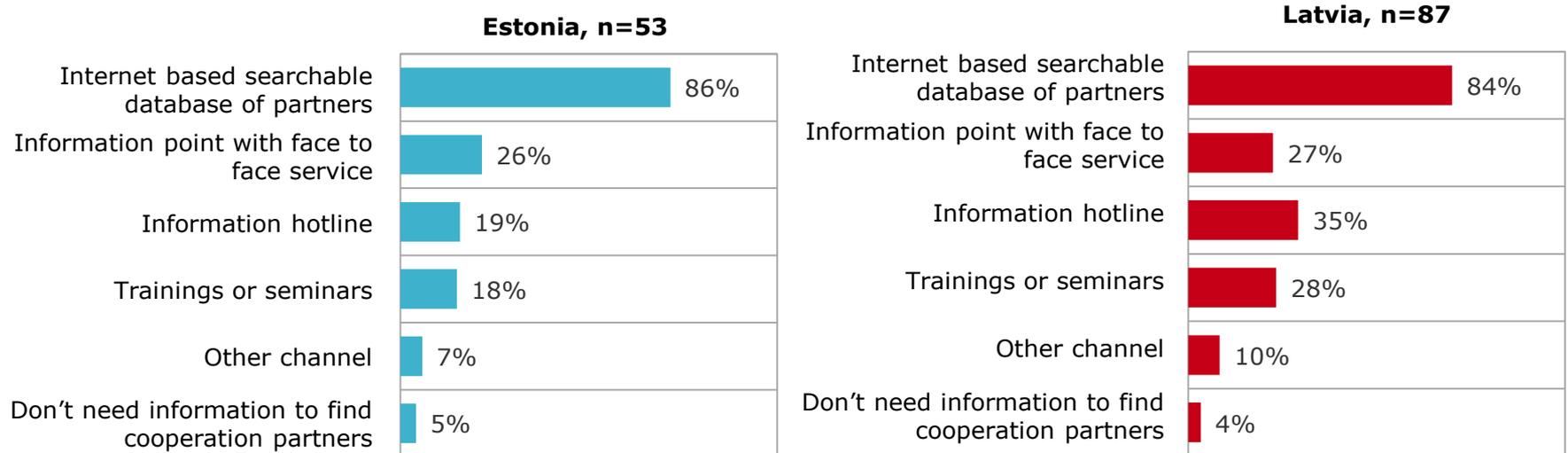
Latvian companies

- Information about partners
 - Barriers associated with the Estonian language
 - Cross-border cooperation in border areas
-

Suitable information channels for finding cooperation partners in the neighbouring country (1)

Of those operating on the neighbouring country's market or interested in doing so

Which sources of information would be suitable for your company for finding cooperation partners in Latvia/Estonia?



Estonian as well as Latvian companies think that an internet based searchable database would be the most suitable for finding partners. Latvians also consider an information hotline more necessary.

Suitable information channels for finding cooperation partners in the neighbouring country (2)

Of those operating on the neighbouring country's market or interested in doing so

Respondents who answered „other channel“ specified their response as follows:

Estonian companies

- Fairs
 - Finding new partners through existing ones
 - Through partners
 - Coordinated information centre/point for the field.
Personal meetings.
-

Latvian companies

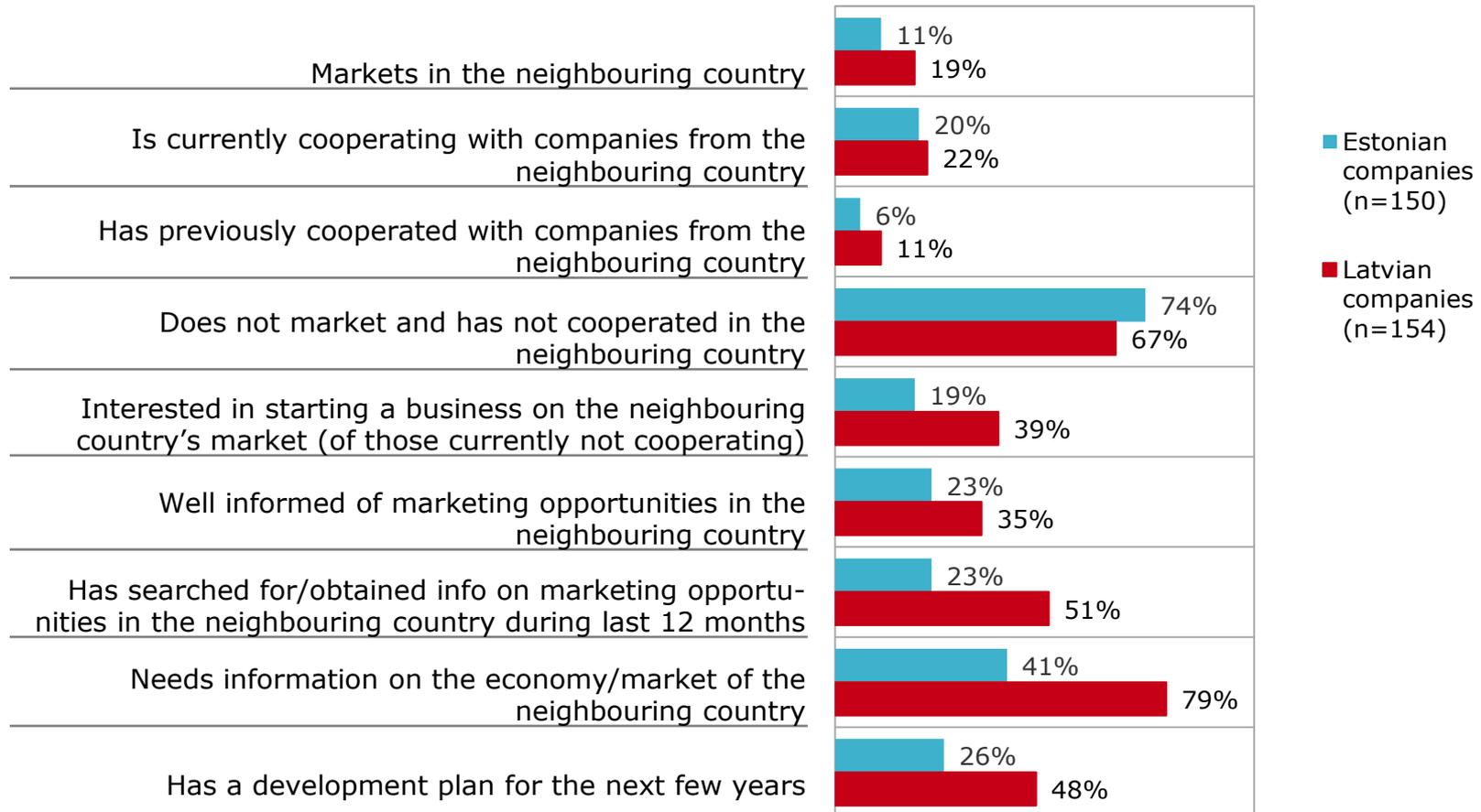
- E-mail
 - Fairs and internet
 - PDF materials about Estonian public sector organisations
 - Internet
 - Consultations, discussions with a competent person, a mediator to deal with the company's questions and future developments
 - We go and see on the spot
-

5

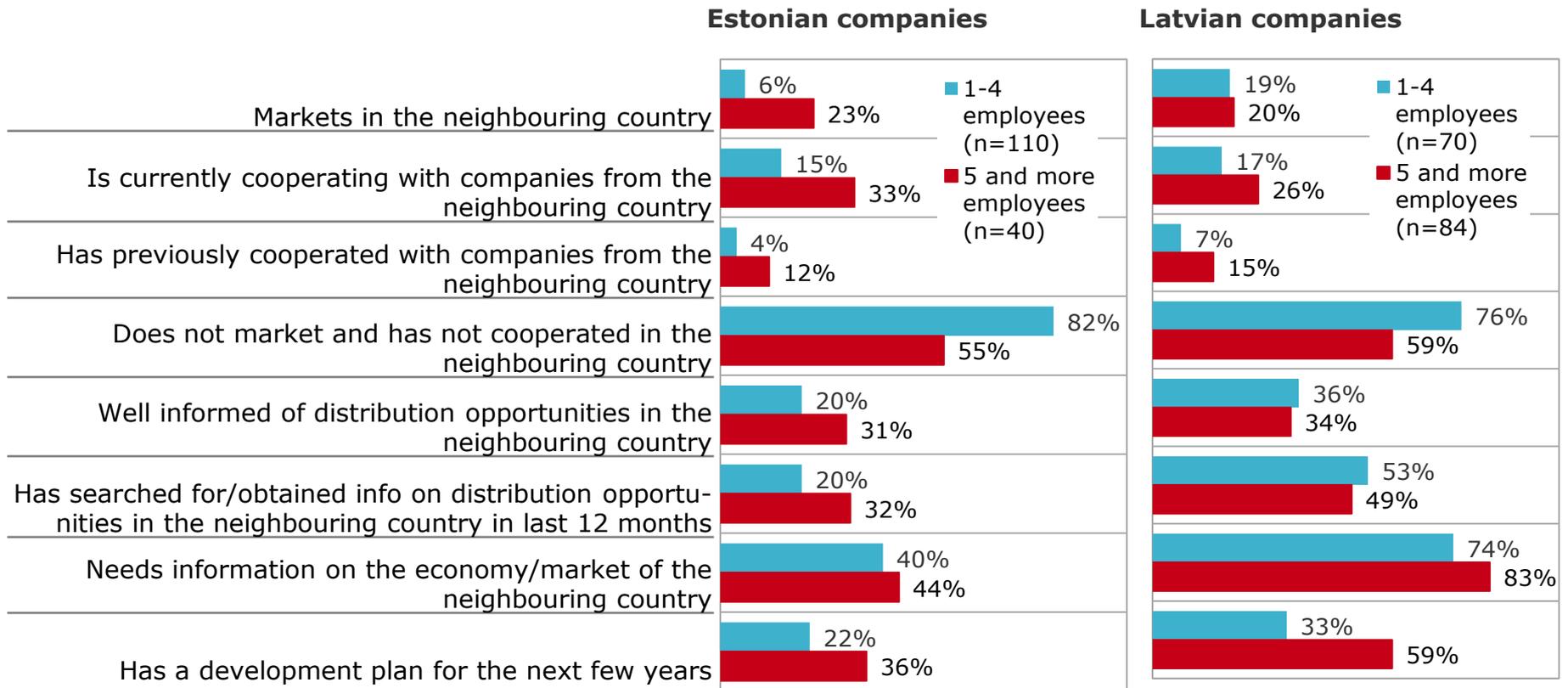
Comparisons



Comparison of Estonian and Latvian main results



Comparison based on size of companies

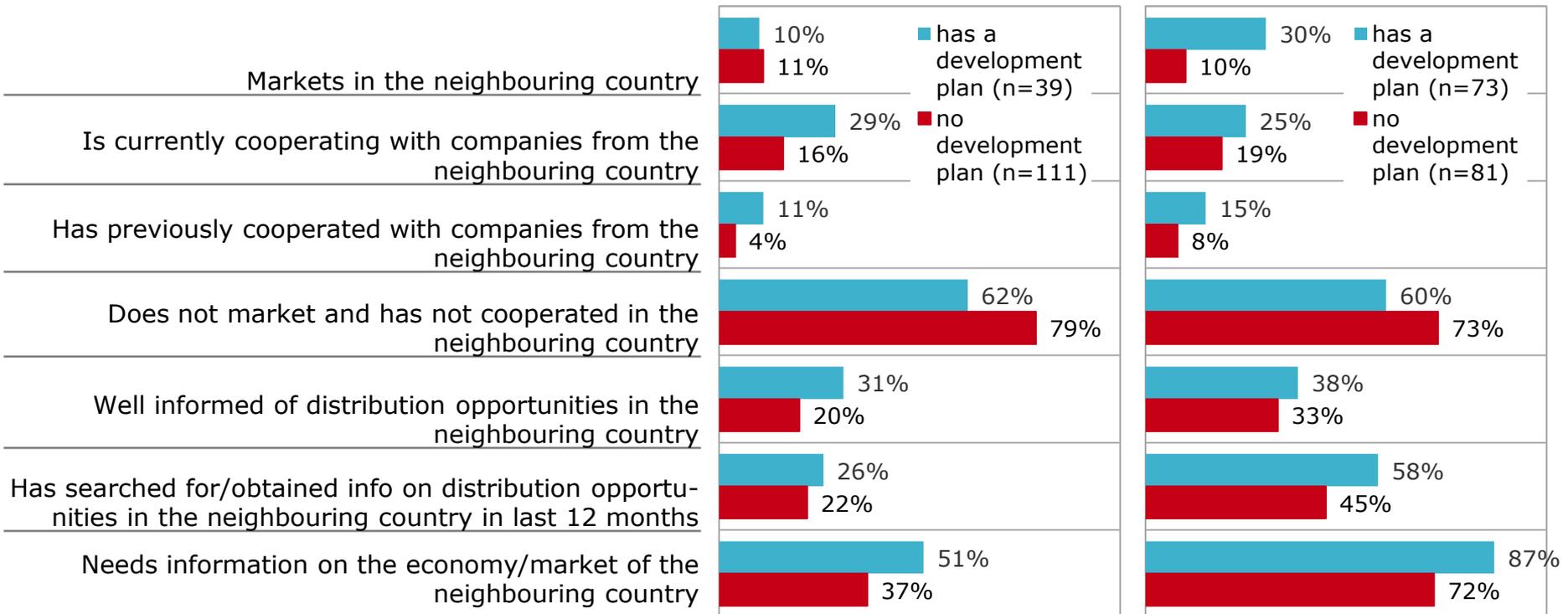


- Estonia: In case of almost all indicators, companies with at least 5 employees are more actively cooperating and better informed; only evaluations to the need for information on the neighbouring market is rather on a similar level in companies of both sizes.
- Latvia: Approximately one fifth of companies with 1-4 as well as 5-99 employees market in Estonia. Knowledge of the neighbouring country's market and obtaining information are also on a similar level. In case of other indicators, companies with at least 5 employees are ahead of the smaller ones.

Comparison based on existence of development plan

Estonian companies

Latvian companies



A general trend is that companies with a development plan have marketed and/or cooperated more in the neighbouring country and they evaluate their need for information to be bigger even though they are more informed than companies without a development plan.

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