

E-ENVIRONMENT BENEFITS FOR LATVIAN SUSTAINABLE BUSINESS DEVELOPMENT

Deniss Ščeulovs¹, Elīna Gaile-Sarkane¹, Valters Kaže²

¹ Riga Technical University, ² University of Latvia

The aim of work to describe and evaluate possible e-environment tools what influences e-marketing activities which stimulate sustainable business development. Authors classified elements business models and its tools in electronic environment. Authors employed and implemented different research methods – quantitative and qualitative: surveys, grouping analysis, statistical etc. In the basis of theoretical and practical base are researches, scientific publications and materials, media publications, including internet.

Main conclusions as a result of this research are as follows: today's technology, e-market, e-commerce, e-business and e-marketing development requires entrepreneurs to rebuild business models cardinally. The main driver of change in business is a consumer, whose power and importance with each passing day becomes more influential. On e-market consumers play very important role because due to modern technologies they have complete access to the product's information, price and so on in a matter of just few mouse clicks. E-environment and internet provides significant benefits for sustainable business development. The most popular e-tool between Latvian enterprises is corporate homepage, but unfortunately the companies do not use all possibilities of it and their insights of a modern website are out-dated.

During researches authors analyzes customers (potential buyers) and entrepreneurs (sellers) activities in internet and electronic environment. Analyzing business activities and e-environment utilization for business needs authors came to conclusion that most of Latvian businessmen are at the initial stage of the e-tools mastering. Those, who use electronic environment, employ only a small number of available tools; hence businessmen need to be not just computer wise educated, but also be perfectly oriented in cyberspace and know how to work with different tools of electronic environment – portals, including social search engines, data bases etc. On the other hand customers – buyers (or potential buyers) are very active in internet and e-environment.

The topic raised in this paper is very wide, so authors considered only the main aspects. This topic demands more profound and detailed study, which authors carry out in their further researches and work.

Keywords: e-environment, e-marketing, e-tools, marketing environment, small and medium enterprises.

JEL codes: M310, M210.

Introduction

The aim of the paper to describe and evaluate possible e-environment tools what influences e-marketing activities which stimulate sustainable small and medium business development.

Research methodology: the authors employ well-established quantitative and qualitative methods of research: grouping, analysis, statistic method, etc.

The theoretical and methodological background of the research is formed by, scientific researches and publications, publications from mass media and professional literature; statistical information from legal institutions as well as information collected by the authors during the survey.

Results: research results confirm that Latvian e-market have a big capacity. Latvian customers, as e-market's participants are active and have good skills in e-environment. They use internet and e-environment tools and social networks for different activities: communication, shopping, spending money, education etc. From the other side, majority of Latvian businessman, as an e-market participants use e-environment benefits for business development not very actively and effectively. The authors of the paper will explore the reasons and barriers what impede greater use of the e-environment tools.

Originality/value: in the paper the authors presented their findings based on theoretical, scientific and field research. Authors have conducted research on e-environment utilization among Latvian enterprises and by other side among internet users (physical persons). The research was done because of the problem that quite often businessmen activities on the e-environment are in conflict with the activities of their potential clients. Many employers have weak percept of needs and e-environment tools of their clients. It can reduce the amount of sale and the number of clients as well as it may cause other problems if the company does not use all the possibilities of electronic market – the largest of all markets.

Conclusions: at present time in Latvia, even considering that Internet in Latvian entrepreneurship is widely used during long time, active e-marketing employment in e-environment is at inception point. On the other side, physical persons are very attractive and active in e-environment usage. This observation is especially characteristic to Latvian micro and small companies.

Forces that require business model restructure

The necessity of the business model restructure is defined by the following changes in the competitive market environment:

- *Increasing of the consumer market power.* Access to information about competing products, services and prices gave consumers a significant power. Consumers should be the in the centre of a new business structure, which will ensure their needs and desires.

- *Increased access the valuable information about consumers.* Thanks to modern technology, entrepreneurs have gained access to information about the consumers. In order to realize the opportunity to gain valuable information about the consumer, businesses focus around the key consumer segments (which is database marketing).

- *Increased requirements for consolidated customer and distribution channels.* Many sectors have observed a situation where a few large buyers come together and start controlling the supplier. Suppliers become subordinates and dependent on consumer demand and marketing channels. Taking into account the specific needs of customers, the companies form different structures that serve them, and establish specific target plans where these customers and distribution channels are priority.

Entering in the global markets. Under impact of trade liberalization and communication technology development the traditional trade barrier were ruined. Companies combining brand management and strategic planning in order to ensure mar-

keting strategies around the world. The other focus is on the various functions, such as procurement, logistics, etc.

Specified forces encourage business models' re-evaluation and concentration on the following directions:

- Centralization of various functions (for instance procurement function. This allows to provoke overall operational efficiency and reduce costs on the account of consumers' power-up and scale effect);
- Concentration of various functions around customers in order to improve interpersonal effectiveness;
- Various business functions like marketing, sales, etc., must move simultaneously in both directions, which equals to two-way information flow ensuring (Porter, 1998).

Modern information technology can provide all of the above, as well as other business pattern development, implementation, maintenance and administration. Today's business models include the following components: indicators, processes, technology, and manpower (See Figure 1).

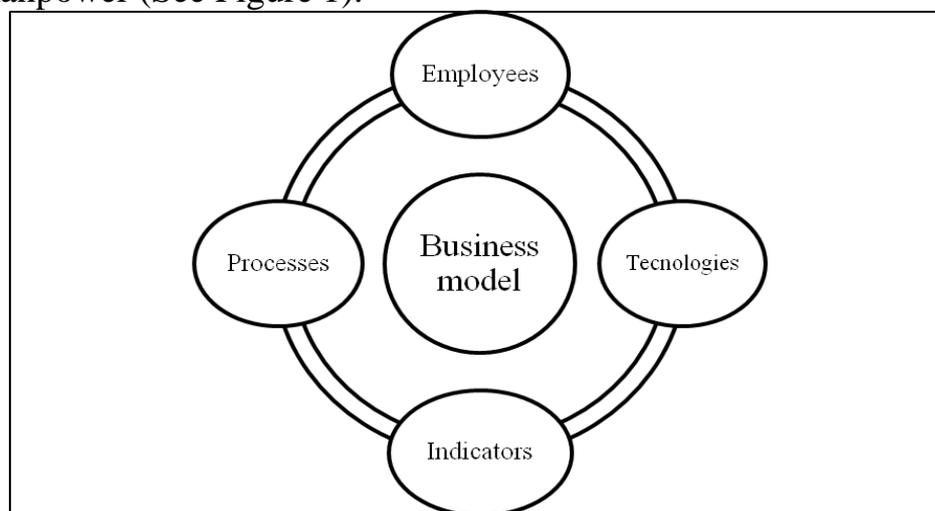


Fig. 1. Business model components

Indicators. Performance indicators are necessary in order to control the investments in various processes, including marketing, Indicators have a critical role in various decision adoption. (Sutton, 2004).

Processes indicate what functions should be implemented to produce, sell and service the product. The following processes can be distinguished: brand management, cooperation with the sales department, campaign management and control, cooperation with external service providers, creative solution development, etc. (Sutton, 2004).

Technology. Technology investments are growing on a regular basis. The authors believe that investment in technological innovation must contribute to company's competitive advantage increase, in case if the investments are justified.

Workforce. People need to be sure about the fact, that marketing's' main task is to provide sales, and be prepared to take responsibility for the results (Sutton, 2004).

The authors agree to above mentioned, but they also believe, that such a situation in real life is difficult to be achieved, as every employee has its own functions

and tasks within a company that he/she must comply, and it would be extremely difficult to make the accountant to think in marketers' way.

Authors believe that companies can use the electronic environment to improve each of those elements and thereby increase its competitiveness in the global market.

Kotler in his book points out three main strategic business models what can be defined as follows: *one on one*, *all for one*, *one for all* and *all together*. *One on one* pattern – where buyer and seller are directly related. Thanks to digital technology, it allows to manage without intermediaries in the value chain process. *All for one* model, or the buyer's broker company acting as the buyer's agent accumulating items that buyer is interested in. *One for all* - to intermediary company operating on behalf of one or more sellers, establishes relationships with selected partners and receives commissions on transactions. *All together*, or a virtual enterprise market model represents a large forum what brings together sellers and buyers. Advertising and commissions on transactions provide margins (Kotler, 2003).

Several models and theories can be applied for the purpose of understanding consumer digital shopping behaviour, that is, consumer's decisions on what to buy, in what amount and where – offline or online. Five main perspectives on consumer digital behaviour: the theory of reasoned action and the theory of planned behaviour; the technology acceptance model; the theory of adoption of innovations; the trade-off/transaction costs perspective; the perceived risk perspective (Kotler, 2009).

E-tools usage in Latvian enterprises

In order to understand what kind of e-tools are used by Latvian e-market shares, authors of the paper have carried out the following research activities: one study describes buyers' or prospective buyers' activity, the other one – the internet selling activity. Due to the fact that it is impossible to cover all e-environment, in the study, authors have imposed certain limitations. In buyers case there was made a separate e-environment elements' analysis, namely, social network and its user analysis.

Social networks and those participants – customers.

The authors carried out a research on January 2011 with the aim to understand what activities in what social networks customers do. The target group comprised people in the age group from 20 to 43 years, both genders; total number of respondents was 147. A questionnaire was designed, with 8 questions including 2 open questions.

According to the research results most popular social networks are local network draugiem.lv, it is used by 31.4% of respondents and facebook.com - is used by almost 31% of respondents, 14.3% uses local one.lv site (the site is used for more Russian-speaking audience). Business social networks used by almost 9% of respondents and are tweeting almost 13%.

Social networks members are quite active, regular attendance in a single social network 31.1%, two and four – almost 16%, three - almost 18%. In addition, 71% of respondents visit web sites several times per day. Almost 30% of respondents consider themselves to be active social network users. 30% of respondents use social networks to communicate with friends, exchange of information, advising and recom-

mending sometimes for peers, as well as for consuming this kind of information. Almost 18% of respondents regularly update personal information, almost 26% of respondents follow the events, news and announcements made by friends and other people and made in company profiles. Interesting is the fact that over 45% of respondents like to keep a track of various sales and opportunities with the aim to buy cheaper. For example, sites were possible to buy goods and services significantly cheaper (advertisement campaign) (cherry.lv, perkamkopa.lv, deal.lv, etc.). The survey confirmed a fact that social network members use e-procurement environment in a very active manner – more than 46% regularly shop online, more than 25% of respondents use a discount shopping website. Of those who regularly shop online, more than 21% rely on friends' views and recommendations, more than 12% are influenced by the promotional information in various social networks.

Conducted survey is an evidence of good social network user activity level. In addition, respondents are open to a variety of activities related to shopping. They are actively using opportunities to shop online. Authors believe that companies must communicate and sell their goods and services more actively by using e-environment.

Latvian entrepreneurs and e-environment.

The previous survey showed that Latvian e-environment users are opened to various e-marketing activities; they are willing and able to spend money in the Internet. In order to understand Latvian entrepreneur level of involvement in e-environment, as well as their operational activity in this distribution channel segment, authors carried out a survey.

The authors of the paper carried out a research on October 2010–December 2010 with the aim to define how they use most popular e-tools such a corporate homepages, blogs etc. The target group comprised people in the age group from 30 to 65 years (managers and employees of different companies); total number of respondents was 175 small and medium enterprises, acting in various Latvian economic structures emerging sectors. A questionnaire consisted of 10 questions.

99% of all respondents have homepages in Latvian, but only 43% of all respondent' homepages translated into Russian and English or other language. Only 31% of all respondents have corporate blogs, and only 13% of them regularly update information in blogs. 90% of bloggers write those in Latvian. 80% of all respondents' homepages name and emails correspond to the name of the company. Only 5% of all respondents use homepage for human resources activities – headhunting (for example, in other western countries and America this proportion is close to 20%). 76% of all respondents have separate section with products and services offered description. Only 34% of all respondents have links to their profiles in popular social networks. Only 12% of respondents offer to buy and pay products and services via corporate homepage. On the positive side stands the fact that one third of the respondents maintain relationships with customers with corporate blog help, but communication takes place only in Latvian. Irregularity of such communication also reduces the company's awareness among other consumers.

Conducted study shows that Latvian companies use the main e-tools not very actively and effectively, using mostly only a single language to communicate with consumers, which narrows the number of potential buyers. Authors of the paper as-

sumes that they are not completely aware of the market's globalization, as well as e-market's opportunities and benefits. The study also confirms the fact that the majority of respondents use a website as a company's business card, and not as a sales and interactive communication tools.

The authors of the paper believe that Latvian entrepreneurs should change themselves ASAP, change their views on e-market e-business and e-commerce management, as it can lead to the situation where not only competitors, but also consumers will be more intellectually mature on the same business and thus the business will bring significant losses, as Chairman and Chief Executive of GE prof. Jack Welch said: "At a time when off-track change take place faster than in-house one, your end is not far away" (Businessweek, 1998).

Another survey which involved 314 Latvian companies, conducted by the Latvian Internet Association showed that vast majority of Latvian companies have profiles in social networks, the most popular of which is Twitter.com. Facebook.com took the second place, while third place went to Draugiem.lv. 26.4% of respondents indicated that are using Twitter.com for business purposes, 22.6% – Facebook.com and 20.8% – Draugiem.lv. Only 18.9% of companies have no profiles in any of the social networks. 3.8% of companies do not know why they are in social networks, 5.1% do so because it is trendy and everyone talks about it.

According to survey performer opinion entrepreneurs do not pay sufficient attention to performance evaluation on these sites. Only 37.5% of respondents conduct analysis activities in the social networks and have idea of how effective it is (LIA, 2011).

Conclusions

Today's technology, e-market, e-commerce, e-business and e-marketing development requires operators to rebuild business models cardinally. "From time to time new technologies and ideas appear; they are so deep, powerful and universal that provokes global changes in all aspects. Printing machinery, electric bulb, automobile, human space flight. It does not happen so often, but changes the world forever" (Gerstner, 1995).

The main driver of change in business is a consumer, whose power and importance with each passing day becomes more influential.

E-environment and Internet provides significant benefits for sustainable business development. "Internet – it's not just another sales channel or form of advertising. It is a tool that changes the root of the fact that the company carries on its business takes orders from customers and offers a value (Dauphin, 2000).

Latvian e-market participants – both buyers and sellers are active in e-environment, and their level of activity is growing on a regular basis. Nevertheless, Latvian entrepreneurs are not always following and examining customers' activity and needs within the e-environment. For example, the Latvian entrepreneurs "activated" on twitter.com, despite the fact that buyers are not using it as active as other social networks. Not all companies are clearly aware of its goals, operating in e-environment.

The most popular e-tool between Latvian enterprises is corporate homepage, but unfortunately the companies do not use all possibilities of it and their insights of a modern website are out – dated. Authors of the paper are suggesting to use more e-tools in business processes, because, if they are available easily and can be used in most fields of the everyday activities. Many of e-tools available via internet have low price or are free of charge. This aspect is especially important for small and medium business development.

Authors of the paper recommend each company to build its own business model, use different e-tools for each business model's element. However, the field of research is very wide and this paper presents just an insight in the large scope of questions what should be analysed in the future researches.

Literature

1. Battelee, J. (2005). *The Search*. – New York: Penguin Group Inc.
2. Dauphinais, G., William, Means Grady, Price Colin. *Wisdom of the CEO: 29 Global Leaders Tackle Today's Most Pressing Challenges*. – New York: John Wiley & Sons, 200. – <http://www.pwcglobal.com/Extweb/servise.nsf/docid/346E77B01E8E2DE85256894004F61B5>
3. Gaile-Sarkane, E. (2005). *E-mārketinga pamati*. – Rīga: Rīgas Tehniskā universitāte.
4. HOW JACK WELCH RUNS GE: A Close-up Look at How America's #1 Manager Runs GE – <http://www.businessweek.com/1998/23/b3581001.htm> [15.01.2011.].
5. Kotler, Ph., Jain, D., Maesincee, S. (2003). *Marketing moves*. – Harvard: Harvard Business School Press.
6. Kotler, Ph., Keller, K. (2009). *Marketing management*. – Harlow: Pearson Education Limited.
7. Louis V. Gerstner, Jr. *From the speech on COMDEX'95*. – Las Vegas. Nevada, 13.11.1995. – <http://www.ibm.com/lgv/comdex.phtml> [17.02.20110].
8. Pētījums: Twitter Latvijā kļūst populārāks par draugiem.lv http://www.lia.lv/aktualitates/19/petijums_twitter_latvija_klust_popularaks_par_draugiemlv/ [17.02.2011].
9. Porter, M. E. (1998). *Competitive advantage – creating and sustaining superior performance*. – New York, London: Free Press.
10. Саттон, Д. Кляйн, Т. (2004). *Новая наука маркетинга. Маркетинговое управление предприятием*. – Санкт-Петербург: Издательский дом «Питер».

ELEKTRONINĒS APLINKOS PRIVALUMAI ILGALAIKIO LATVIJOS VERSLO PLĒTRAI

Deniss Ščaulovs¹, Elīna Gaile-Sarkane¹, Valters Kaže²

¹ *Rygos tehnikos universitetas*, ² *Latvijas universitetas*

Tyrimo tikslas – aprašyti ir įvertinti elektroninės aplinkos instrumentus (įrankius), darančius įtaką elektroninei rinkodarai ir stimuliuojančius ilgalaikę ir darnią verslo plėtrą (vystymasi). Tikslui pasiekti autoriai panaudojo kokybinius ir kiekybinius tyrimo metodus: tyrimą, grupavimo analizę, statistinį metodą, mokslinės literatūros analizę. Atliekant tyrimą buvo analizuojamos abi rinkos šuinteresuotųjų šalys – vartotojai ir verslininkai (pardavėjai). Rezultatai rodo, kad Latvijos verslininkai tik pradėjo naudoti elektroninės priemonės versle arba neišnaudoja visų turimų galimybių. Tuo tarpu vartotojai labai aktyviai naudojami elektroninės aplinkos priemonėmis ir pilnai išnaudoja galimybes. Straipsnio autoriai išnagrinėjo tik pagrindinius šios temos aspektus ir nagrinės elektroninės aplinkos panaudojimą versle tolimesniuose tyrimuose.

Raktiniai žodžiai: elektroniniai instrumentai (įrankiai), elektroninė aplinka, elektroninė rinkodara, smulkios ir vidutinės įmonės, rinkodaros aplinka.

JEL kodai: M310, M210.