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Ethnic Demographics and Retail Shopping Behaviour in Latvia

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Abstract
The retail sector in transitional markets such as Latvia represents the fastest growing retail market in the European Union (Baltic Business News, 2007) but countries such as Latvia also possess a retail consumer base that is ethnically divided. One of the legacies of the Soviet Union is the approximately 25 million ethnic Russians that live in the former non-Russian Republics of the Soviet Union. Ethnic Russians, and by extension, ethnic Russian consumers, represent a non-trivial market within these newly independent states. Although the ethnic Russian minority literature embodies a large field of inquiry, no known studies have examined this phenomenon in terms of empirical international consumer research. This study presents the findings of consumer shopping surveys, divided along ethnic lines, Latvian and Russian, in the capital city of Riga, in the former Soviet Republic of Latvia. The research findings indicate that there are both similarities and differences in shopping behaviour when analyzed along ethnic lines. The survey findings were based upon actual consumer shopping experiences at the two major hypermarkets operating in Riga, Maxima and Rimi. The findings indicate that ethnic consumers reactions to service quality drivers and responses to service delivery, provides meaningful insight for store planning (both physical location, and in-store), sales training (cultural understandings) differ, and that store policy development (product returns and exchanges, stated versus implied guarantees) must adapt to these differences.

Introduction
"Russians cannot be treated as 'just another minority' in the newly independent states…first, Russians were the dominant nation of a huge and powerful, multinational state. They never felt the need to acculturate to the indigenous way of life", (Chinn and Kaiser, 1996. pg. 11). From a high of 38% of the total population in Kazakhstan to less than 5% in Armenia (Kolstø, 1995), ethnic Russians, and by extension, ethnic Russian consumers, represent a non-trivial market within many of the former Republics of the Soviet Union. Although the ethnic Russian minority literature embodies a large field of inquiry, no known studies have examined this phenomenon in terms of empirical international consumer research. This research develops and tests research propositions related to two major tenets of consumer research, retail service quality and shopping

behaviour. The paper begins with an overview of the research literature that is relevant to this study, ethnic consumer research. This literature serves as a basis for developing research propositions as they relate to two major tenets of shopping behaviour, service quality and customer loyalty. The remainder of the study presents and discusses the findings of a consumer research survey administered in Latvia based on consumer perceptions of their shopping experiences at the two major hypermarkets located in the capital city of Riga. The survey findings are analyzed from an overall Latvian retail marketplace perspective and at the sub-sample level of ethnic Latvian and ethnic Russian shoppers. Interpretations of the research findings together with implications to future study in the area of minority consumer research, and retail practice in transition economies with large ethnic minorities are also made.

Research Literature

The study of ethnic shopping behaviour has a lengthy history in both marketing, and international business, research. The term ethnicity, as it relates to this research, is a shared identity of a group of people who have common cultural traditions, common language, and represent the minority in terms of total population within a geographic boundary (Pires and Stanton, 2005). Previous research has examined how ethnic consumers identify with a specific ethnic group. The term ethnicity, from this perspective, is measured objectively based on certain identifiable and/or measurable descriptors such as nationality or religion.

But why look at ethnic Russian consumers in Latvia, and what would lead us to believe that differences exist between these two groups in terms of consumer behaviour? As noted by Peñaloza (1994), the impact of globalization and the global economy has served as a force towards consumer assimilation, but that these changes occur over time. The study of ethnic Latvian and ethnic Russian consumers in Latvia represents the case where the ethnic focus (i.e. Russian) dominated the country for the period of 1941-1991, then overtly turned towards the host ethnic group (i.e. Latvia). In addition to the aforementioned characteristics that define ethnicity, in the case of ethnic Russians in Latvia other terms that have been used to define ethnicity such as a common geographic origin, and being racially conspicuous (Pire and Stanton, 2005), do not apply. Thus the question to be explored is do ethnic differences have any impact on how consumers in Latvia perceive retail service and customer loyalty measures.

Ethnicity and consumerism continues to be of interest and the application of such research streams into the development and empirical testing of the marketing and business applications and has relevance to both academic and practitioner research. If as the literature supports, that Latvians and Russians differ ethnically, and culturally (Levinson, 1998; Inglehart, Basanez, Diez-Medrano,, Halman, and Luijkx, 2004;), but also share a joint immediate past in terms of life experiences during the Soviet period then research that compares and contrasts how these variables impact on consumer behaviour should produce interesting findings. The next section reviews how examining the Latvian/Russian perspective can be used as the impetus for retail service and shopping behaviour research.

Ethnic demographics and shopping behaviour

One of the leading fields of retailing research has been, and continues to be, trying to understand consumer shopping behaviour (Vaughn and Hansotia, 1977; Fiore and Kim, 2007). A linger question is what retailing factors or retail store characteristics result in consumer buying behaviour, and ultimately what factors lead to retail shopping loyalty (Reichheld, 1996; Brown-McCabe, Rosenbaum, and Yurchisin, 2007)? Within transition economies such as Latvia the retail sector represents one of the most visible and perceptible examples of the transition to a market economy (Dutkina, 1996; Remnick, 1997), but there is both a gap in understanding retail shopping behaviour from both theoretical and practice considerations. As this is the first known study of retail performance in Latvia, the first objective is to determine what retail performance indicators (a) relate to retail service perceptions and (b) what retail factors drive customer loyalty. The second objective of this study is to determine what impact ethnicity plays in these similarities and differences, by making comparisons between how ethnic Latvians, and ethnic Russians perceive these retail service factors.

For academic researchers, the addressing of these issues will provide a further understanding of the retail service in terms of how Latvian and Russian consumers describe and define the construct within a market that has not previously been studied in this field. For retail practitioners, this question adds to the body of knowledge on cross-cultural studies in terms of both research methodology and the identification of cross-cultural differences within regions that have a limited history of such practices.

Empirical Study

In order to measure Latvian consumers' perceptions of shopping behaviour, a survey instrument was developed. The items in the survey were drawn from existing retail shopping instruments (Dabholkar, Rentz and Thorpe 1996; Rinne and Swinyard, 1995), as well as retail items found in similar research that has been conducted in Latvia's neighbouring Baltic country, Estonia (McKenzie, 2006; McKenzie and Merrilees, 2003). The administration and collection of the surveys was conducted by contacts that had been previously established by the author during earlier field research in Latvia. Local administrators were employed as they help to limit both administrator and respondent bias by lessening the potential for misunderstandings in the survey completion through disparities in culture (Kotabe and Helsen, 2004). Although the items were originally created in English, they were translated into both Latvian and Russian. This was an additional benefit of using local administrators as they ensured that the face validity of the items was not compromised when translated into the respective language (Craig, and Douglas, 2001).

A non-probability sample of Latvian shoppers was determined to provide an acceptable level of information about retail shopping behaviour because of a lack of official data, or private data that defines the population of shoppers. It is acknowledged that non-probability samples can be subject to sampling bias (Kumar, 2000), but it was deemed the most appropriate sampling method for this type of study due to an identified hesitancy by consumers within transition economies to complete consumer surveys in general (Kinsey, 1994), the limited infrastructure for conducting random surveys within transition economies, and the practical need to have a balanced sample of ethnic Latvian and ethnic Russian respondents for this type of study. Thus the sampling frame fitted within the exploratory objectives of research and has support within the literature (i.e. Mueller & Mueller, 1996; Kumar, 2000).

The survey items used a nine-point scale (Hancock, and Klockars, 1991), with instructions that stated; "Regarding your shopping experience at this store, for the following things please circle 1 if you strongly agree with the statement and 9 if you strongly disagree. A score of 5 represents a neutral feeling". The survey instrument was both translated and back translated into Latvian and Russian. The survey respondents were approached by the survey administrators through both mall and street intercepts. The survey administrators had two stipulations in terms of those surveyed. The first requirement was that a total sample size of 400 was required, which consisted of 100 ethnic Latvians, and 100 ethnic Russians from each of the two stores in order to provide an adequate number of responses to conduct statistical analysis (Zikmund, 2003). Ethnicity was determined by those that self-identified themselves as either "Latvian" or "Russian" and their completion of the Latvian or Russian version of the survey respectively. The second stipulation was the respondent had to have shopped the sample store within the previous six months, in order to provide consistency about store performance knowledge. The two stores selected, "Rimi" and "Maxima", at the time of writing, were the two largest hypermarkets in terms of sales in Latvia.

Survey findings

The profile of the respondents can be found in Table I. The split of the sample by gender broadly corresponded to the Latvian population of hypermarket shoppers, 40% male and 60% female, with a generally matched profile of occupations for both the ethnic Latvian, and ethnic Russian respondents. The age distribution tended to a more youthful shopper, as two-thirds of sample respondents were under 40 years of age. The relative youthfulness of the typical Latvian hypermarket store consumer was noticed and confirmed by the author, based on direct observations made during several visits to a number of outlets of the sample stores, as well as personal interviews with representatives of Latvian retailers, and Latvian based retailing researchers.

Since the focus of the analysis was to determine if there were any significant differences between ethnic Latvian and ethnic Russian consumer assessments of retail service and customer loyalty indicators, the two samples were first compared using Chi square cross-tabulations to check for potential bias based on the sample store selected. This comparison was made based on the subject response to a store preference question (i.e. "is this your favourite store?"). For the both the Rimi and Maxima stores, no statistically significant difference was found (Rimi: $\chi 2 = 1.44$; p=.23; Maxima: $\chi 2 = 0.04$; p=.85) between the two sub-samples with respect to this question.

TABLE I: The Characteristics of Respondents

		Latvian Sample (n=200)	Russian Sample (n=200)
Sex	Male	79	78
	Female	121	122
Age	18-25	77	71
	26-40	61	59

	41-55	46	53
	56+	16	17
Occupation	1-Finance / Banking	20	10
	2-Real Estate	4	8
	3-Student	54	54
	4-Construction	2	13
	5-Retail Trade	6	14
	6-Public Administration/Government	18	9
	7-Communications/Marketing	14	12
	8-Manufacturing	11	19
	9-Agriculture/Forestry	6	5
	10-Hospitality / Hotels / Restauants	14	10
	11-Transport / Distribution	3	9
	12-Education	17	9
	13-Health Care / Medicine	11	12
	14-Fishing	0	3
	15-Wholesale Trade	1	1
	16-Other	19	12

Retail service quality and customer loyalty measures

As stated, the survey items were drawn both from the existing shopping behaviour literature, as well as qualitative research findings from Latvia's neighbouring Baltic state Estonia, thus there was confidence that the items were appropriate for use in measuring the areas of interest, retail service and customer loyalty. For the first area, retail service quality, a total of 13 items were selected to represent this construct. The items, found in Table II consist of the three major areas of retail service, physical pr tangible indicators of the retail experience, the actions of the retail service personnel and how they interact with store customers, and the manner in which store salespeople handle customer complaints, or the returning or exchanging of products (Parasuraman, Berry, and Zeithaml, 1991; Dabholkar et al. 1996). In terms of customer loyalty measures, four items were used (Oliver, 1999; Wong, and Sohal, 2003)

The variety in the responses, as measured by the standard deviations, for the total sample, the Latvian sub-sample, and the Russian sub-sample indicated a diverse set of individual perceptions (McDaniel and Gates, 2004). The reliability of the retail service scale and customer loyalty scale was based on Cronbach Alpha values. As indicated in Table III, in all three samples, Overall, Latvian, and Russian, all were above the generally accepted level of 0.70 (Hair, Babin, Money, and Samouel, 2003), indicating the interrelatedness of the set of items for retail service quality, and customer loyalty.

TABLE II: Shopping Behaviour Measures

	Total Sample		Latvian Sample		Russian Sample		
Retail Service Quality (13 Items)	**Mean**	**Std. Dev.**	**Mean**	**Std. Dev.**	**Mean**	**Std. Dev.**	
This store is clean and tidy	3.81	2.21	3.94	2.27	3.69	2.14	
The merchandise displays at this store look good visually.	4.03	2.11	4.18	2.10	3.89	2.12	#
This store is rarely out of stock on items	4.35	2.23	4.60	2.38	4.11	2.06	*
This store provides the best shopping layout for me	4.47	2.08	4.51	2.13	4.43	2.04	
Self-selection at this store is easy and well guided	3.94	2.33	3.89	2.31	3.99	2.36	

This employees at this store give you confidence for your shopping	5.38	2.15	5.52	2.25	5.25	2.04	#
Selling staff at this store give prompt service	5.24	2.24	5.37	2.30	5.10	2.18	#
This store has knowledgeable staff who can answer customer queries	5.13	2.18	5.26	2.17	4.91	2.17	*
Selling staff are always courteous with customers	4.74	2.19	4.76	2.16	4.72	2.23	
This store treats the client as king	5.88	2.51	6.33	2.37	5.44	2.58	**
This store provides a written returns and exchange policy	4.87	1.77	4.98	1.70	4.77	1.83	
Generally, products can be exchanged	4.85	1.86	4.96	1.76	4.74	1.97	
This store allows customers to return faulty goods	4.80	1.86	4.85	1.82	4.75	1.89	
Customer Loyalty (4 Items)	**Mean**	**Std. Dev.**	**Mean**	**Std. Dev.**	**Mean**	**Std. Dev.**	
I plan to shop at this store (again) in the next 6 months	3.61	2.78	3.24	2.66 **	3.99	2.65	
I plan to recommend this store to others in the next 6 months	4.91	2.51	4.94	2.71	4.88	2.31	
My next purchase is likely to be from this store	4.84	2.68	4.95	2.88	4.73	2.47	
I am likely to spend the same (or more) amount of money in this store in the next 6 months compared to the last 6 months	4.45	2.50	4.31	2.63	4.59	2.36	

One way to test comparing Latvian vs. Russian samples,# p<.10;* p<.05; p<.01**

TABLE III: Reliability measures of scales

Cronbach Alphas		**Total n=400**	**Latvian n=200**	**Russian n=200**
Retail Service Quality	13 items:	0.841	0.869	0.801
Customer Loyalty	4 items:	0.808	0.782	0.841

Analysis of Latvian and Russian shopping behaviour

In order to compare and contrast the ethnic Latvian and ethnic Russian perceptions, t-tests were conducted for each of the scale items. The purpose of the analysis was to understand the variance in customers' attitude to the retail service and customer loyalty measures. At the overall level, for only one of the service quality items did the Latvian sample rate the stores on average higher than the Russian respondents, while for six of the items, the Russian responses were significantly higher than the Latvian responses at a minimum of the p<.10 level (see Table II).

What appears to be of greater interest, is that as noted, within the area of retail service, the survey measured items relating to physical or tangible indicators of service, personal service measures, and problem solving measures. For the five items representing physical measures of service quality, for both the Latvian and Russian samples these items were, on average, the perception of the best area where the stores performed. This was an interesting finding as it aligns with the perspective that since the retail sector in general, and hypermarkets specifically, are relatively new within transition economies such as Latvia, that these types of items would be the most overt indications of the change in retail stores from the Soviet period. These findings may also indicate that the two retailers focused on these types of measures as they could be made by more top down strategies and tactics as they required less pure, or personal levels of service delivery.

Of the two items that were rated significantly higher by the Russian respondents, "The merchandise displays at this store look good visually", and "This store is rarely out of stock on items" the interpretation is that the ethnic Russians, who on average have lower incomes than ethnic Latvians, were quite happy with the aesthetics and product availability of the stores, while in contrast the Latvian respondents were more focused on the ability to service themselves, as indicated by the fact the item with the highest rating of any service quality item was "Self-selection at this store is easy and well guided". These findings have implications to retail practice as retailers would need to first establish in the consumers view that the tangible indicators of service are first met.

For the personal interaction, or personal service measures, the ethnic Russian responses again were more highly rated, in fact for four of the five items, significantly higher rated than by the ethnic Latvians. For these measures there may be two possible explanations. The first is that retail service personnel in Latvia (and most former Soviet republics), particularly for hypermarkets, are fairly low paying jobs, and thus more apt to be ethnic Russians, the ethnic Latvians would be more critical of their performance, with the alternate perspective for the ethnic Russians. What does appear to be clear is that neither group saw these stores performing very well in these areas as indicated by no average ratings being above the mid point of 4.5.

The second interpretation would be that since the ethnic Latvians (and to a lesser extent the ethnic Russians) rated the store so highly, on average, on the ease of self-service, that they had little direct need for the assistance of store personnel. Of course there is also the possibility that the service was objectively poor, although in personal interviews with management of both stores, they were quite vocal as to the extent that they trained their staff, as well as their communications to this point (see their web sites; http://www.maxima.lt/; http://www.rimibaltic.com/).

For the third area, problem solving, there was no significant difference on any of the three items, and all were below average ratings. This finding was not surprising as the concept of returning goods still has limited consumer appeal in Latvia, although there are governmental bodies to mediate customer concerns with product quality. But in conversation with representatives of the Latvian government, the time and cost of proceeding with these issues tends to discourage them. For the customer loyalty measures, the findings indicate that on the whole the respondents intend to keep frequenting these stores with the item "I plan to shop at this store (again) in the next 6 months" being the highest rated of all items by the ethnic Latvian respondents. As the other indicators of customer loyalty were all very similar a further question was analyzed. Maxima and Rimi both view themselves as leading Baltic retailers. Rimi is a Latvian based retailer, while Maxima is based in Lithuania. In discussions with management from Maxima, they believed that their store was more favourably viewed by Russians in Latvia, as they more openly courted ethnic Russian shoppers versus Rimi, who they believed to be more focused on the ethnic Latvian shoppers. In order to explore if this might be the case, two questions were asked, the first was "This store is strongly Latvian" and the second, "This store is strongly Russian". The ratings are found in Table IV.

TABLE IV: Store Country of Origin Perceptions

	Latvian Sample		Russian Sample	
Perception of Country of Origin of Store	**Mean**	**Std. Dev.**	**Mean**	**Std. Dev.**
This store is stongly Latvian (Rimi)	4.79	2.38 #	5.22	2.41
This store is stongly Russian (Maxima)	4.30	2.73 *	5.18	2.54

One way t test comparing Latvian vs. Russian samples, #p<.10; * p<.05;

As shown, there were significant differences in how ethnic Latvians and ethnic Russians view the country of origin of the store. For both stores the ethnic Latvian sample rated the store significantly higher as being “more Latvian/Russian”. This finding is of interest on two fronts. The first is that even though Maxima is a Lithuanian based store, it does have a strongly viewed image as a “Russian” store in the mind of ethnic Latvians. The second is the ethnic Russians have a less developed perception of the country of origin of either store. These findings have implications to retailers in how they may, or may not want to align themselves with any ethnic group in these types of markets. One possibility was that the store should position itself to be viewed as a strong “local” store, regardless of the country of origin of the store ownership (both store’s home country were outside of Latvia), which would be demonstrated by tailoring the product mix to the local marketplace. A contrasting position would be for the store to be viewed as a “protector” of the Russian consumer, and take advantage of the ongoing language and citizenship debate in Latvia

Conclusions and Future Study

As the retail sectors in countries of the former Soviet Union, and Central and Eastern Europe continue to expand, studies that help to enhance researchers and practitioners of the understanding of retail measures such as service and loyalty will increase in importance. Although in this study there was little indication that ethnic Latvians and ethnic Russians had little trouble in interpreting or answering survey questions as to what they perceived as “good” versus “poor” service there were non-trivial differences in how local retailers delivered this service. This finding bodes well for the use of existing retailing research techniques, particularly consumer surveys, in order to better understand retail drivers in these markets.

It is suggested that this study contributes to the research literature in the field of consumer shopping behaviour as it empirically demonstrated how “non-western” consumers interpret retail performance. It is suggested that this is of particular interest as it also involves the study of shopping behaviour amongst cultures that have very different recent pasts in comparison to their western counterparts in terms of shopping experiences. This analysis of ethnic consumers reactions to service drivers and responses to service delivery can provide the impetus for future retail practice study in areas such as store planning (both physical location, and in-store), sales training (cultural understandings), and store policy development (product returns and exchanges, stated versus implied guarantees).

This research also helps to address the question of providing better marketing practices to the minority consumer, by conducting research that goes beyond simple generalizations gleaned from marketing to the majority. Successful retail practice of catering to ethnic and cultural variations must do more than simply acknowledge the findings of a consumer study, but to examine the specific impact that these variations have on such fields as consumer behaviour. Future research in this area may wish to examine questions as to how ethnic consumers in transition economies perceive domestic versus foreign, versus the country of origin of the retailer, particularly in markets where the ethnic minority represents a significant market share.

In conclusion, this research brings to fore a little studied group of ethnic consumers that represent a significant market opportunity both within Latvia and other regions with larger ethnic Russian populations. Future research may wish to explore additional measures of shopping behaviour along similar ethnic lines, for instance in other countries with large ethnic Russian populations such as Estonia, Ukraine, and Georgia. Finally this type of research can also be extended to other countries to better understand shopping behaviour of large non-titular ethnic groups.

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