



The Attractiveness of the Baltic Countries as a Sales Market: Evidence for Beauty Industry

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Abstract: Shai Tech is a Romanian company, which commercialize its personal care products in the United States through the online store. The company wants to expand in Europe, first in one of the Baltic countries. The aim of this paper is to study how a beauty company like Shai Tech evaluates the attractiveness of countries and target markets when it decides to sale its products on foreign markets. In order to achieve this purpose, the attractiveness of the Baltic countries from the perspective of demographic, economic and labor market, also target market characteristics will be compared. The applied methodology involves 30 variables from the three dimensions analyzed and the awarding of scores for the three Baltic countries. The results reveal that Lithuania is best positioned in both the demographic dimension and economic and labor market aspects. In addition, Lithuania and Estonia have similar scores regarding the target market indicators.

Keywords: e-commerce; internet access; GDP per capita; international trade; European countries

JEL Classification:

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1. Introduction

Shai Tech is a Romanian limited liability company, which was founded in 2020. The activity of this company is based on two objects, the main one, which targets retail through order boxes or via the Internet and the secondary one, which involves the activities of advertising agencies. The commercial activity of the company is realized through the SHAI online store. The business segment of the Shai store is beauty and personal care, selling device-type beauty products with different functions for different needs. So far, Shai's portfolio includes five beauty devices: body maintenance device; facial steamer; the Guasha for facial massage; facial exfoliation device; and neck massage device.

The SHAI store is based on e-commerce, and drop shipping has been chosen as the management method. E-commerce or internet commerce refers to the sale and purchase of goods and services, while money and data are transferred via the Internet. In other words, e-commerce is any kind of business transaction that is facilitated through the internet (Sparrow, 2019).

As an e-commerce platform, Shai store uses Shopify, a platform that integrates various useful applications, as they facilitate the management of the online store, marketing campaigns, advertising campaigns through Facebook Ads or Google AdWords, as well as payment and delivery methods.

When it comes to drop shipping, this is a method of retailing where a store does not keep the products it sells in stock. Instead, when a store sells a product, it buys it from a third party and ships it directly to the customer. As a result, the seller never sees or deals with the product (Gary, 2019; Crema, 2018).

Although the Shai store operates only in the United States market, the company wants to expand in Europe, first in one of the Baltic countries. In order to choose the most favorable market on which to sell the personal care products, the Shai Tech Company conducts an analysis of the characteristics of the Baltic countries and their attractiveness.

The purpose of this paper is to analyze how a company decides to sell its products online on foreign markets, analyzing the attractiveness of certain countries and target markets. More specifically, this paper presents the way in which Shai Tech company analyzes the possibilities of commercialize its products through the Shai online store in one of the Baltic countries, starting from the characteristics of these markets.

2. Literature Review

Understanding and studying the commerce on foreign markets has a great interest to sellers. Sarin (2010) has concluded that an effective segmentation must satisfy four criteria: accessibility, measurability, responsiveness and substantiality, but firms are unable to satisfy all the identified segments due to resource constraints. It is better to target the segments of costumers using geographic, demographic, psychographic and product-related approaches. Lee et al. (2009) have investigated how transnational tobacco companies have targeted the South Korean females using market research about cultural characteristics, consumer preferences and social changes regarding women and girls. Navarro and Alencar (2016) have studied the Brazilian real state companies targeting the Costa Rica residential market. They found the particularities of the potential market, economic factors, cultural characteristics and social-political aspects are important for these companies in their decision-making process.

On the other hand, Wittkop et al. (2018) were interested to study how internet-based companies internationalize in the digital market. They have admitted that traditional business internalization theory still have high role for internet-based companies in their internationalization process, but also the individual customer interface used by a digital business, online reputation and service quality have an important impact. Herve et al. (2020) has investigated how digital technologies influence the internationalization process of small and medium-sized enterprises. They found that digital technologies generate new opportunities for small and medium-sized enterprises to expand in foreign markets.

Iyer et al. (2005) were interested in advertising strategy taken by firms, which can target advertising to different groups of consumers within a market. They found that firms tend to advertise more to consumers with strong interest and preference for their products. Also, using targeting advertising, the profit increases because firms eliminate `wasted` advertising to consumers that are not interested on their products or for those which product`s attributes do not match with consumers preferences.

3. Methodology

The empirical analysis was applied to the case study of Shai Tech Company, which wants to sell its products in one of the Baltic markets through the Shai online store. For this purpose, 30 indicators of the Baltic countries from 2020 were taken into account, grouped into three categories, namely demographic, economic and labor market, also target market characteristics. For the indicators for which no data were found in 2020, the year 2019 was taken into account, being marked with (!) in the Appendix 1.

The methodology used involved three stages. The first involves the collection of statistical data for the Baltic countries from international databases, namely the World Bank and Eurostat. The second stage involves the dissemination of statistical data for the three Baltic countries. The third stage involves the comparative analysis of the three countries and the awarding of scores according to performance: 3 points for the best ranking of a country on the analyzed indicator, 2 points for a medium ranking and 1 point for the worst ranking. Topliceanu (2019) used this methodology for ranking the economic competition between great powers such as the United States, the European Union and China.

4. Results and Discussions

4.1. Demographic Characteristics

From a demographic point of view, the Baltic countries have different characteristics. For 2020, females represented more than half of the population of these countries, reaching more than 1 million people in Latvia and Lithuania. At the same time, the percentage of the female population aged 15 to 64 represents almost 50% of the total population in this age category. However, Lithuania was the best positioned among the Baltic countries, with a population of almost 2.8 million people, of which about 1.5 million were females, according to Appendix.1. This is followed by Latvia, with a population of almost 2 million people, of which female population represents about 1 million. Unlike the two, Estonia has a total population of 1.33 million people and a female population of almost 700,000 people. The ranking is also maintained for the population aged 15 to 64 and the female population in this age category. For example, in Lithuania, of the population aged 15 to 64 by about 1.8 million people, about 910,000 were female.

Despite this advantageous position for Lithuania among the Baltic countries, the degree of internet access for households was the lowest of these countries. In 2020, Estonia and Latvia have the best position in this regard, with 90% of households having internet access, while for Lithuania the percentage was 82%.

Thus, from a demographic perspective, in 2020, Lithuania had more advantages than Estonia and Latvia. In four of the five demographic indicators analyzed, Lithuania ranked better than the other Baltic countries, namely, those related to the total population and those aged 15 to 64, as well as the female population. At all four indicators, Lithuania was followed by Latvia, then Estonia. However, in terms of household access to the Internet, Estonia and Latvia had a higher ranking than Lithuania.

Therefore, giving the scores of each country, Lithuania has 13 points in terms of demographics, followed by Latvia (11 points) and Estonia (7 points), according to Appendix 2.

4.2. Economic and Labor Market Characteristics

In terms of economic and labor market, the situation was more diversified in 2020 for the Baltic countries, being aspects that each country can be proud of in relation to the others.

In economic terms, Lithuania has proved to be the most developed economy among the Baltic countries. The adjusted gross disposable income per capita of Lithuanian households exceeded 20,000 euro in 2020, as shown Appendix 1, even if the GDP per capita was 17,710 euro. This explains why it was higher final consumption expenditure of households in Lithuania than in the other Baltic countries. At the level of 2020, these expenses approached 29 billion euro, being more than twice higher than those in Estonia are. Of these expenditures, for personal care households incurred almost 980 million euro.

Compared to Lithuania, in Latvia, GDP per capita and adjusted gross disposable income per capita of households were relatively close, at about 15,500 euro. Although in Estonia, the GDP per capita exceeded 20,000 euro, and the gross disposable income was over 17,000 euro, Latvia was the one in which households spent more in 2020, according to Appendix 1. Their final consumption reached 16.54 billion. However, in Estonia is close to 13 billion euro. The expenditures of households for personal care were higher in Latvia (almost 441 million euro) than in Estonia (almost 397 million euro).

Regarding the labor market, it can be seen in Appendix 1 that Estonia had more advantages in 2020 compared to Lithuania and Latvia. The only chapters in which Estonia did not positioned best among the Baltic countries were those related to the female workforce and to the female labor force with advanced education.

Lithuania had the largest female workforce, about 740,000 people, being almost double that of Estonia. In contrast, Estonia had a higher rate of labor force participation for female over the age of 15 (57.56%), while in Lithuania it was close to 57.4%. In Latvia, the female workforce reached half a million people in 2020, while the percentage of the participation rate for female over the age of 15 was just over 56%.

Despite these figures, Latvia represented the country with the highest percentage of female labor force with advanced education, i.e. about 81.66% of the active female population. In comparison, in Lithuania the percentage was almost 81%, and in Estonia it did not exceed 80%. In contrast, compared to the female active population, Estonia had a higher percentage of female labor force with intermediate education than the other two countries, exceeding the 67% threshold here.

In terms of employment among the female population over the age of 15, Estonia is again in a better position than Latvia and Lithuania, with an employment rate of

almost 54%. In this respect, neither Lithuania nor Latvia exceeded 53%, also having a lower level of part-time jobs held by women. In 2020, in Latvia, women held about 29% of these jobs, while in Lithuania the percentage exceeded 33%. Even so, among the Baltic countries, Estonia had a better position, where the female part-time employment reached 37.58%.

Summarizing, from a socio-economic perspective, the differences between Estonia and Lithuania were small in 2020. While Estonia had a better position in terms of the labor market, Lithuania held a more advantageous position on economic indicators.

According to Appendix 2, Estonia has had advantages over five indicators, four of which are related to the labor market (labor force participation rate for female over the age of 15, female employment rate, female labor force with intermediate education and part-time jobs held by women) to which is added the GDP per capita. In contrast, Lithuania had advantages over four indicators, three of which were economic (adjusted gross disposable income of households per capita, final consumption and expenditure on personal care), to which is added the female labor force. Latvia has only one advantage compared to the other two Baltic countries, namely the female labor force with advanced education.

Therefore, for economic aspects and labor market, the differences between Lithuania and Estonia are very small, both with over 20 points, while Latvia has only 16 points, according to Appendix 2.

4.3. Characteristics of the target market

The products promoted and marketed by a beauty company are mainly aimed at women in the Baltic countries. However, it is necessary to use a series of indicators meant to reflect the target market and which of these countries is more attractive for commercialize products online.

Regarding the professional profile of females in the Baltic countries, most of these people were wage and salaried workers, exceeding 90% of female employment, according to Appendix 1. While the percentage was approximately similar for Latvia and Lithuania, in Estonia it exceeded almost 93%. The situation was different for women who are self-employed or employers. Almost 10% of female employment was self-employed in Latvia, 8.5% in Lithuania, while for Estonia the percentage was close to 7%. Of these women, almost 3% were employers in Latvia, more than 2% in Estonia, but the percentage of women employers did not exceed 1.4% for Lithuania. In a much more favorable situation was Latvia, which ranks best among the Baltic countries in terms of self-employed women, employers and their share of senior and middle management positions. If in Estonia and Lithuania, the share of

women in these leadership positions did not exceed 40%, in Latvia it reached 43.54%.

Regarding the marital status of females in the Baltic countries, there was a higher number of single, married, widowed or divorced women in Lithuania. According to Appendix 1, there were over half a million single and married women in Lithuania, while the number of widowed and divorced people did not exceed 184,000 people. For Latvia and Estonia, the values were much lower. In Latvia, the number of single females approached 390,000 people, and that of married about 356,000 women. In contrast, no more than 300,000 married or single women were Estonia. As for widowed or divorced females, their number did not exceed 110,000 women in Estonia, while for Lithuania and Latvia were more than 153,000 females.

Given that the beauty company's products are sold exclusively online, it is interesting to follow the frequency of use of Internet services by the population of the Baltic countries, especially by females.

In 2020, over 80% of the population of these countries used the Internet, according to Appendix 1. In both Estonia and Latvia, their percentage approached 89%. The hierarchy of the Baltic countries in terms of the use of Internet services for different purposes reveals the superiority for Estonia. Over 60% of the population, aged 16 to 74 used the internet for participating in social networks in all three states. Major differences occur in terms of using the internet services to find information and order goods and services. The Estonian population having a higher share than the other Baltic populations regarding using the internet for finding information and order goods and services (81% and 68%). Lithuania's percentages were closer to those of Latvia. Less than 75% of the population aged 16 to 74 in Latvia and Lithuania accessed the Internet to search for information about goods and services, while for Estonia there was 81% of individuals. At the same time, in Lithuania and Latvia less than half of the population aged 16 to 74 used the internet to order goods and services, while the percentage of the Estonian population reached 68%.

The situation was similar for females, in the sense that the share of women aged 16 to 74 in Estonia who had e-commerce activities, used mobile equipment to access internet services and ordered or bought online goods for personal use was higher than in other Baltic countries. As can be seen in Appendix 1, the share of women aged 16 to 74 in Latvia and Lithuania who have e-commerce activities was almost similar in 2020, while in Estonia it reached a percentage of 64%. At the same time, the values of Latvia and Lithuania for women who have ordered or bought personal goods online have been approximately the same (34% and 39%). In contrast, 58% of women between the ages of 16 and 74 in Estonia have ordered or bought personal goods online in 2020.

In addition, in Estonia the percentage of women aged between 16 and 74 who used mobile devices to access internet services reached 74% in 2020, according to

Appendix 1, in Lithuania only 68% of these women used mobile equipment in order to access internet services, and in Latvia, their share was below 65%.

In summary, in terms of the target market, Estonia is a more advantageous destination for beauty products than Latvia or Lithuania, thanks to a better positioning in terms of indicators related to the use of Internet services by the population and by females. Moreover, out of the 15 indicators selected to reflect the characteristics of the target market, Estonia ranks better than Latvia and Lithuania for seven indicators, of which six are regarding to the use of internet services.

Each country differs from the other in a number of advantages. If Estonia ranks better than Latvia and Lithuania in the use of internet services, in terms of the professional profile and marital status of the target market, each of the two countries stands out for its own characteristics. On the one hand, Latvia has a superiority over three of the four indicators analyzed in the case of the professional profile of the target market. On the other hand, Lithuania ranks better on all four indicators related to marital status.

Collecting the scores of the target market, Estonia has the same score as Lithuania on target market, while the score of Latvia is relatively close, according to Appendix 2. As a result, choosing a particular country from the three to market beauty products is difficult given the characteristics of the target market. On the other hand, the ranking becomes clearer if demographic and also economic and labor market characteristics are added.

5. Conclusions

Even though Estonia has advantages on 12 of the 30 indicators analyzed, Lithuania has a higher overall score. Lithuania's higher score is due thanks to its better positioning in terms of demographics, economic aspects and marital status of target market. Thus, Lithuania is a more attractive destination for Shai Tech products than Estonia or Latvia in 2020, having an overall score of 67 points, followed by Estonia (59 points) and Latvia (55 points). Lithuania ranks well in 12 of the 30 indicators analyzed.

However, it should be noted that Estonia has the same score as Lithuania on target market aspects (31 points). Overall, Estonia has the highest scores in terms of labor market for female population, GDP per capita and indicators related to the use of internet services by the population and by females. The main Estonia's disadvantages are demographic aspects, both total population and female population being twice as small as Lithuania.

As far as Latvia is concerned, it has a number of advantages only from the perspective highly educated female workforce and professional profile of females, while the level of internet access for households was the same as in Estonia.

The main limitations of this study is related to the sample of selected indicators, of countries and the time span. Future research may explore the possibility to extend the sample of countries, also the number of variables. In addition, a longer period may be considered for future research. Nevertheless, the methodology of awarding points can be applied for a larger sample of countries, by increasing the range of points depending on performance (Topliceanu, 2019b; Topliceanu, 2020).

Further analysis from this point of view will provide a better understanding of the how a beauty company like Shai Tech evaluates the attractiveness of countries and target markets when it decides to sell the products on foreign markets.

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Appendix 1.
Table 1. Variables used and statistical data

No.	Variables	Estonia	Latvia	Lithuania
Demographic characteristics				
1	Population, total (million people)	1.32	1.93	2.80
2	Population, female (million people)	0.70	1.04	1.51
3	Population ages 15-64, total (million people)	0.85	1.23	1.83
4	Population ages 15-64, female (million people)	0.42	0.63	0.94
5	Level of internet access for households (%)*	90	82	78
Economic aspects and labor market				
6	GDP per capita (euro)*	19740	15000	16160
7	Adjusted gross disposable income of households per capita (euro)*	16870	15130	18390
8	Final consumption expenditure of households (billion euro)*	12.93	17.17	27.96
9	Final consumption expenditure of households on miscellaneous goods and services (%)*	8.30	6.50	9.60
10	Labor force, female (million people)	0.34	0.50	0.74
11	Labor force participation rate, female (15+) - %	57.38	56.03	56.73
12	Labor force with advanced education, female (%)	78.00	84.47	81.36
13	Labor force with intermediate education, female (%)	67.63	62.53	53.87
14	Employment to population ratio, female (15+) (%)	54.33	52.44	53.66
15	Part-time employment, female (%)	35.04	23.57	28.37
Tarket Market				
16	Wage and salaried workers, female (% of female employment)	93.17	90.31	90.83
17	Self-employed, female (% of female employment)	6.83	9.69	9.17
18	Employers, female (% of female employment)	2.00	2.65	1.43
19	Female share of employment in senior and middle management (%)	33.24	43.22	38.16
20	Single females (million people)*	0.29	0.39	0.57
21	Married females (million people)*	0.21	0.36	0.62
22	Widowed females (million people)*	0.08	0.14	0.18
23	Divorced females (million people)*	0.10	0.15	0.15
24	Individuals using the Internet (% of population)	89.36	83.58	79.72
25	Individuals using the internet for participating in social networks (% of population aged 16 to 74)*	62.0	61.0	58.0
26	Individuals using the internet for finding information about goods and services (% of population aged 16 to 74)*	80.0	63.0	68.0
27	Individuals using the internet for ordering goods or services (% of population aged 16 to 74)*	61.0	45.0	43.0
28	Females using mobile devices to access the internet (% of population aged 16 to 74)*	68.0	58.0	61.0
29	Females having ordered/bought goods or services for private use over the internet (% of population aged 16 to 74)*	52.0	34.0	35.0

30	Females having e-commerce activities (% of population aged 16 to 74)*	57.0	36.0	37.0
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Source: The World Bank (2022), (*) Eurostat (2022).

Appendix 2.

Table 2. Variables used and the ranking of countries

No.	Variables	Estonia	Latvia	Lithuania
Demographic characteristics		7	11	13
1	Population, total (million people)	1	2	3
2	Population, female (million people)	1	2	3
3	Population ages 15-64, total (million people)	1	2	3
4	Population ages 15-64, female (million people)	1	2	3
5	Level of internet access for households (%)*	3	3	1
Economic aspects and labor market		21	16	23
6	GDP per capita, current prices (euro)*	3	1	2
7	Adjusted gross disposable income of households per capita, purchasing power standard (euro)*	2	1	3
8	Final consumption expenditure of households (billion euro)*	1	2	3
9	Final consumption expenditure of households on personal care (million euro)*	1	2	3
10	Labor force, female (million people)	1	2	3
11	Labor force participation rate, female (15+) - %	3	1	2
12	Labor force with advanced education, female (%)	1	3	2
13	Labor force with intermediate education, female (%)	3	2	1
14	Employment to population ratio, female (15+) (%)	3	1	2
15	Part-time employment, female (%)	3	1	2
Tarket Market		31	28	31
16	Wage and salaried workers, female (% of female employment)(!)	3	1	2

17	Self-employed, female (% of female employment)(!)	1	3	2
18	Employers, female (% of female employment)(!)	2	3	1
19	Female share of employment in senior and middle management (%)(!)	1	3	2
20	Single females (million people)*(!)	1	2	3
21	Married females (million people)*(!)	1	2	3
22	Widowed females (million people)*(!)	1	2	3
23	Divorced females (million people)*(!)	1	2	3
24	Individuals using the Internet (% of population)	3	2	1
25	Individuals using the internet for participating in social networks (% of population aged 16 to 74)*	2	3	1
26	Individuals using the internet for finding information about goods and services (% of population aged 16 to 74)*	3	1	2
27	Individuals using the internet for ordering goods or services (% of population aged 16 to 74)*	3	1	2
28	Females using mobile devices to access the internet (% of population aged 16 to 74)*(!)	3	1	2
29	Females having ordered/bought goods or services for private use over the internet (% of population aged 16 to 74)*	3	1	2
30	Females having e-commerce activities (% of population aged 16 to 74)*	3	1	2
Final score		59	55	67
Rank		II	III	I

Source: Own processing.