CONSUMER SATISFACTION AND DISSATISFACTION IN ESTONIA

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ABSTRACT

The main focus of this paper is consumer satisfaction/dissatisfaction in Estonia. The breakdown of the Soviet Union created a new economic and political situation in Estonia. Studies carried out by the Estonian Institute for Market Research make it possible to follow the development of consumer satisfaction in Estonia's transformation from a command economy to a market economy.

Estonian consumers have a very difficult economic situation, and it is not surprising that the overall level of dissatisfaction is high. It may be more surprising that satisfaction with *food supply* is rather high and, in fact, increasing. However, this does not mean that consumers in Estonia are satisfied with the supply of all consumer goods or that all consumers are more satisfied with the supply in 1992 than in 1990. There are big differences between consumer groups and product groups. Estonian consumers feel consumer goods are too *expensive* and the *quality* of goods and services is low. While consumer satisfaction with the supply of consumer goods increased during the last year, the opposite is the case for consumers' evaluations of prices. This indicates that for Estonian consumers, prices are a more serious problem than the supply of consumer goods. In the future the quality of goods and services will become more important for Estonian consumers.

INTRODUCTION

Since the breakdown of the USSR, major changes have been taken place in all the former Soviet republics. The situation for consumers in the Baltic states has been very difficult because the Soviet system was in a state of both political and economic bankruptcy. The transformation from a command economy to a market economy has been hard, and it is not easy for consumers to get used to new economic and political conditions.

Most of the consumer satisfaction/dissatisfaction (CS/DS) studies are carried out in modern, Western, capitalistic societies (Hunt 1988, Perkins 1991). However, in the course of the past decade CS/DS studies have been carried out in places like China (Lee and Thorelli 1989, Yi 1985), India (Ramachandran 1985), Puerto Rico (Strahle et al. 1992), the Middle East (Zipkin and Furst 1984, Zube et al. 1985). But as far as is known by the authors, no studies have been completed in the former Soviet republics or other societies undergoing transformation from a command economy to a market economy. The relevance of studies from the Third World countries is limited.

The approaches and frameworks already developed in CS/DS studies are far better suited to the modern capitalistic countries than the former Soviet republics and the developing countries in Asia, Africa and Latin America. These studies have concentrated largely on individual consumer satisfaction with specific products or services. A necessary pre-condition for such studies is a satisfactory supply of consumer goods, and this is the reason for the preponderance of studies from Western Europe and North America.

Folke Ölander distinguishes satisfaction with *micro-marketing* from satisfaction with the *macro-marketing system* (Ölander 1988). Ölander sees it as a weakness of the mainstream of CS/DS research that it focuses excessively on satisfaction on the individual level. From a consumer-political point of view, market performance on the macro level is more important that consumer satisfaction and dissatisfaction with individual products, brands or shops.

As far as the Baltic states are concerned, individual experiences with products and brands are relevant but of limited interest. The main issues or questions are availability of goods and services, the price structure, changes in the distribution system and the safety and liability of consumer goods. Of course, it is possible to improve consumers' rational behavior and choice in the market, but the most important question for consumers and governmental authorities alike are market structure and competition on the macro-level.

Within the framework developed by Renoux the authors are more concerned with shopping and buying system satisfaction/dissatisfaction than with consuming system satisfaction/dissatisfaction (Renoux 1973). This does not mean that consumer experiences with specific goods and services are irrelevant to this study, but the authors will focus on three important consumer problems at the macro-level: *availability, prices and quality of consumer goods*. In the old Soviet system, prices were low; quality varied a great deal, even within the same product series and availability was very low for many consumer goods. The result of this low accessibility was corruption and queuing. Since 1990 substantial economic and political changes have taken place in Estonia. These changes will be discussed in further detail in the next section; it is sufficient here to note that these changes have effected the accessibility, prices and quality of consumer goods in Estonia. In this paper we will put forward the following questions:

1. How is the economic situation for consumers in Estonia?

2. To what degree are Estonian consumers satisfied or dissatisfied with the availability, quality and prices of consumer goods and services?

3. How has the relationship among availability, price and quality developed since the struggle for independence started in 1989?

THE ECONOMIC AND POLITICAL SITUATION IN ESTONIA

Unique changes have been taking place in Estonia's society and economy in recent years. A country which for 50 years was forced to function in the conditions of a totalitarian socialist planned economy, is now making a fresh start towards a market economy. Perestroika, which began in the Soviet Union in 1985, offered a good ground for the Baltic states to regain their economic and political independence.

The critical state of the nations's economy was a prerequisite for the political changes in the Soviet Union. Transition to an effective market economy was and is still indispensable - indeed, the only alternative - yet it has been very hard. This, in turn, has been connected with the collapse of the former structures of management, production and distribution.

In terms of their economies, the Baltic States were a relatively developed region in the former Soviet Union. Both production and consumer indices of these republics were high; the social infrastructure has been developed satisfactorily, and the labor force was relatively highly-skilled. Also important is the fact that the older generation had the experience of living and working in the conditions of a market economy during the period of independence in 1920-1930. All the same, transforming the economies of the newly independent Baltic states towards a market economy has not been easy. Estonia regained its independence in August 1991, and the first years of independence have been full of hardships.

Estonia's total industrial output dropped 10% in 1991 compared to 1990, and 39% in 1992 compared to 1991. Total agricultural production fell by 21% in 1992 compared to 1991. From December 1989 until December 1992 the cost of living index increased 84 times. The level of consumption in 1992 was about one-third of the level of 1989 (EKI-test 1991, 1992; Baltic facts 1992, Konjunktuur No.4).

At the same time, much has been done to rearrange the Estonian economy. The privatization of state-owned companies has begun, and many new private businesses have been set up. About 1.000 new businesses start up each month. By the end of 1992 private shops represented 25% of commodity turnover, and the turnover is increasing rapidly.

The monetary reform in June, 1992 was a revolution in the economy. With the introduction of the national monetary unit, the Estonian kroon (EEK), Estonia finally separated from the Russian rouble zone. The exchange rate of the Estonian kroon is pegged to the German Mark (D-Mark): 1 DM = 8 EEK.

The introduction of its own currency has enabled Estonia to establish systematic control and management over its economy. The fact that inflation has slowed down, is a positive matter for the consumer. Toward the end of 1992 and at the beginning of 1993 the monthly rise in the cost of living index has been from 3 to 5%. The supply of goods has improved considerably and, for the first time over the past decade, the consumer has an assortment of goods from which to choose.

The dictates of the producer and trader over the consumer were characteristic to Estonia's retail trade; they are now to be replaced by research and attention to the wishes of the consumer.

DATA AND METHOD

So dynamic and revolutionary has the process in Estonian society been in recent years that the state system of statistics has not fully managed to get rid of the methods made to suit planned-economy conditions and to switch over to the principles of new statistical accounting. Research carried out in the past years with the help of sociological methods has helped minimize the shortcomings of state statistics of commerce and consumption, however.

Aware of the historic importance of the processes going on in Estonian society and the necessity of monitoring these processes, the Estonian Institute for Market Research (EKI) conducted in 1987 a public opinion poll, the so-called EKI-TEST'87, among Estonian citizens in order to learn about their opinions, attitudes and expectations with regard to the economy. In order to keep in touch with changes in people's attitudes and the dynamics of public opinions, EKI now conducts similar socio-economic polls (questionnaires) at the end of each calendar year. This research is useful for the Estonian government and the results are used as social indicators because it gives a good picture of the economic and social situation for consumers.

The questionnaires regularly include the following questions:

- an estimate of Estonia's economic situation,
- expectations for the coming year,
- an estimate of the economic situation of one's family
- people's savings, debts, property,
- consumption, contentment with the supply of goods,
- opinion of retail prices, and
- problems related with jobs and unemployment, etc.

In light of the current economic situation, the authors have added several special questions each year. In 1992, for example, EKI-TEST'92 included such questions as: attitude towards the Estonian kroon, contentment with the quality of goods and the level of service in shops, and the sense of security of one's life and property.

This EKI-TEST' 1992 was conducted in December, 1992. As in previous years, the EKI consumer panel was used and about 1 100 people were questioned by mail. The choice of persons for the panel is a random sample from all of Estonia. The socio-demographic characteristics of respondents correspond to the socio-demographic structure of the population as a whole. The results of the questionnaire to the EKI consumer panel can thus be treated as the opinions of the entire adult population of Estonia. The results are analyzed so that these should characterize the opinions of Estonian citizens both as a whole and by separate groups as well (nationality, education, type of residence and income).

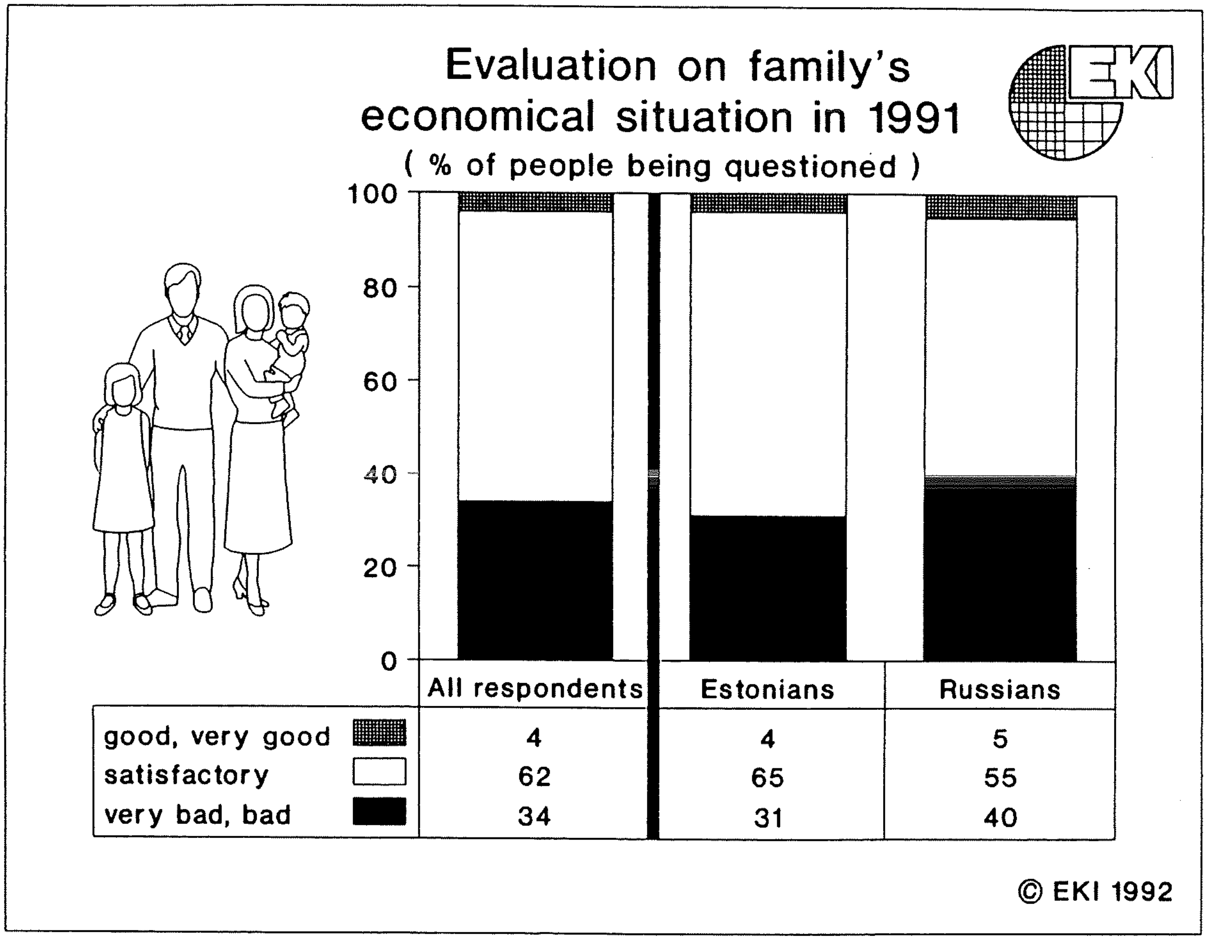
THE ECONOMIC SITUATION FOR CONSUMERS IN ESTONIA

The standard of living in Estonia has dropped noticeably in recent years. This fact is reflected in respondents subjective estimates as to the economic situation of their families. In December, 1992, 42% of the respondents were sure that the economic situation of their families was bad and 11% regarded it as being very bad. In comparison with previous years, the proportion of the families who considered the economic situation of their families satisfactory has diminished and the proportion of families who evaluated it as bad has increased, se Figure 1 below for the evaluation of family's economic situation in Estonia.

From the end of 1991, more people believe that the next year will bring with it an improvement in the economic situation for their family, se figure 2 for the families' expectations of their economic situation next year. In 1990, 60% of the respondents expected the situation to worsen: in 1991, 49%, and in 1992 only 39% were of the same opinion. People understand that things simply cannot get worse anymore, and that the chosen orientation towards a market economy must, in the end, bring positive changes in the economic life of families as well.

The average monthly income of respondent for 1991 was 706 roubles and for 1992 was 542 EEK

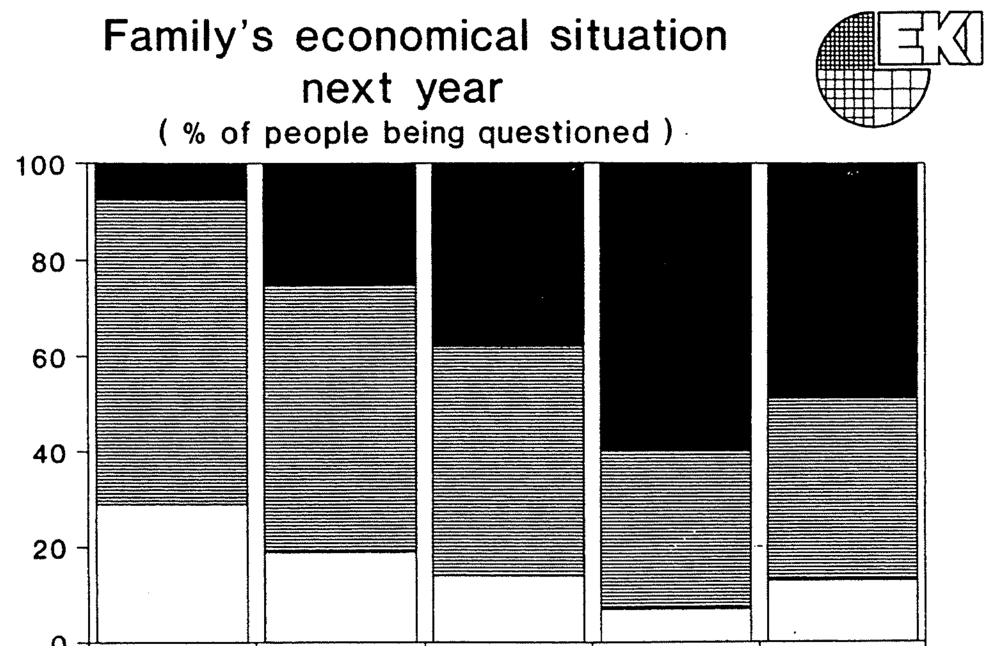
Figure 1
Evaluation of Family's Economic Situation in Estonia



(i.e., 41 USD). Average family income at the end of 1991 was 1,411 roubles and at the end of 1992 1 064 EEK (i.e., 81 USD). Thus, Estonians income are low since pricec have generally reached or will reach the level of the world market prices, people are forced to restrict their consumption substantially.

Figure 3 shows how much the average Estonian family has purchased of the most basic foodstuffs in a week at the end of 1991, and again at the end of 1992. For many items, purchases have dropped by 50%. For major dairy products there is a decline: in milk consumption from 5.88 liters per week to 3.77 liters; in kefir from 1.25 liters to 0.45 liter and in cheese from 0.44 kilo to 0.26 kilo. As far as meat is concerned, pork consumption has decreased from 1.49 kilos per week to 0.71 kilo, chicken from 0.85 kilo to 0.28 and sausages from 0.77 kilo to 0.53 kilo. These dramatic changes illustrate the condition for consumers in Estonia in 1992, and it is worth mentioning that in 1991 there was a similar decline in consumption.

Figure 2
Expectations of Family's Economic Situation Next Year



	1987	1988	1989	1990	1991
worse	7	25	38	60	49
same	64	56	48	33	38
better	29	19	14	7	13

CONSUMER SATISFACTION AND DISSATISFACTION

In this section the authors will focus on Estonian consumers' satisfaction/ dissatisfaction with the supply, price and quality of consumers goods, the relationship among those three aspects with consumer goods, and the development of consumer satisfaction/dissatisfaction during the last few years.

In the difficult economic situation in Estonia it is not surprising that the overall level of consumer dissatisfaction is high. What is perhaps more surprising is that satisfaction with the *supply* of food is rather high and, in fact, increasing, as shown in Figures 4 - 6. Figure 4 shows the satisfaction with food supply in December 1992 for 22 important consumer goods, and Figure 5 shows the development of satisfaction with food supply for the same products over the last three years. Figure 6 shows concentrated data on six central foodstuffs: milk, fish, meat, eggs, margarine and sugar.

Figure 3
Family's Weekly Consumption of Groceries

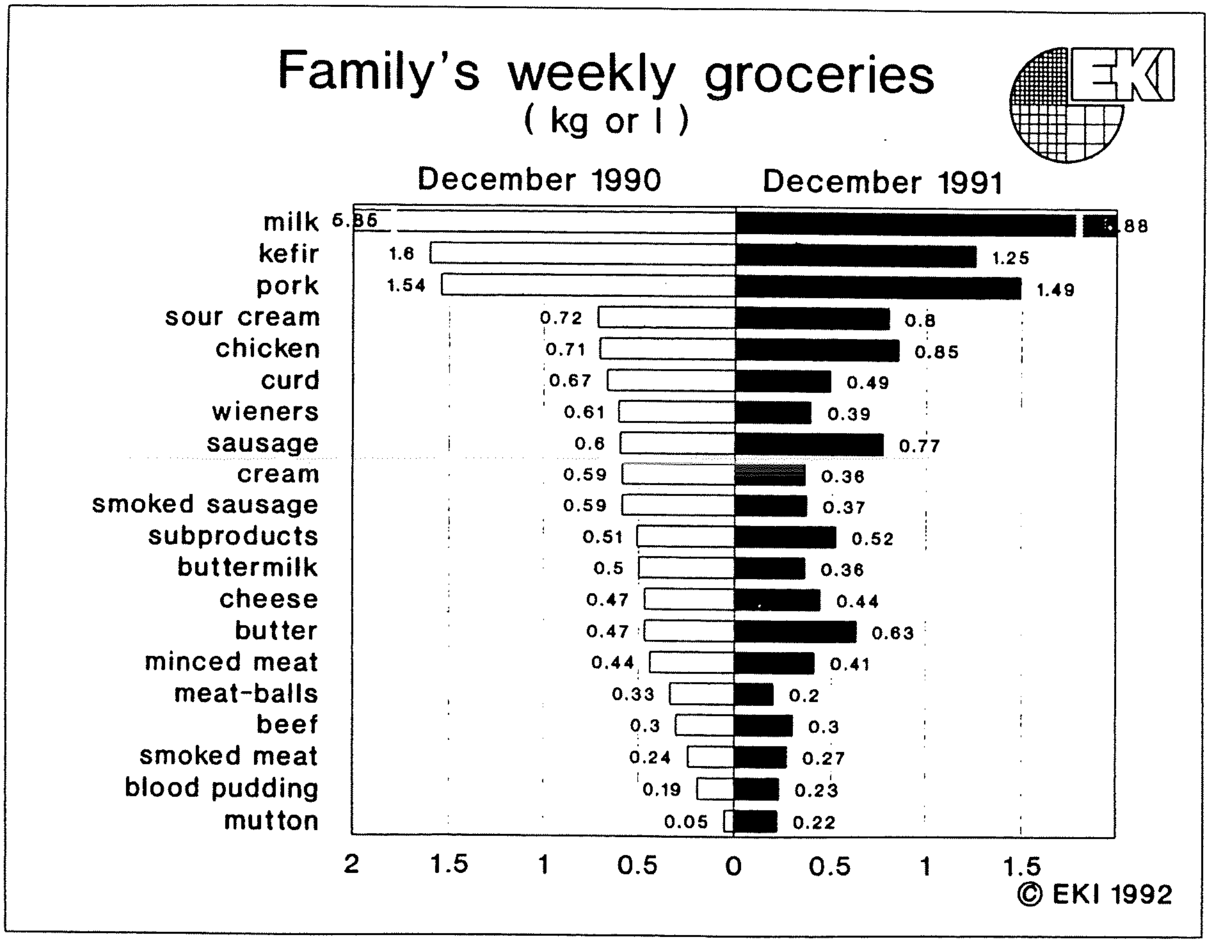
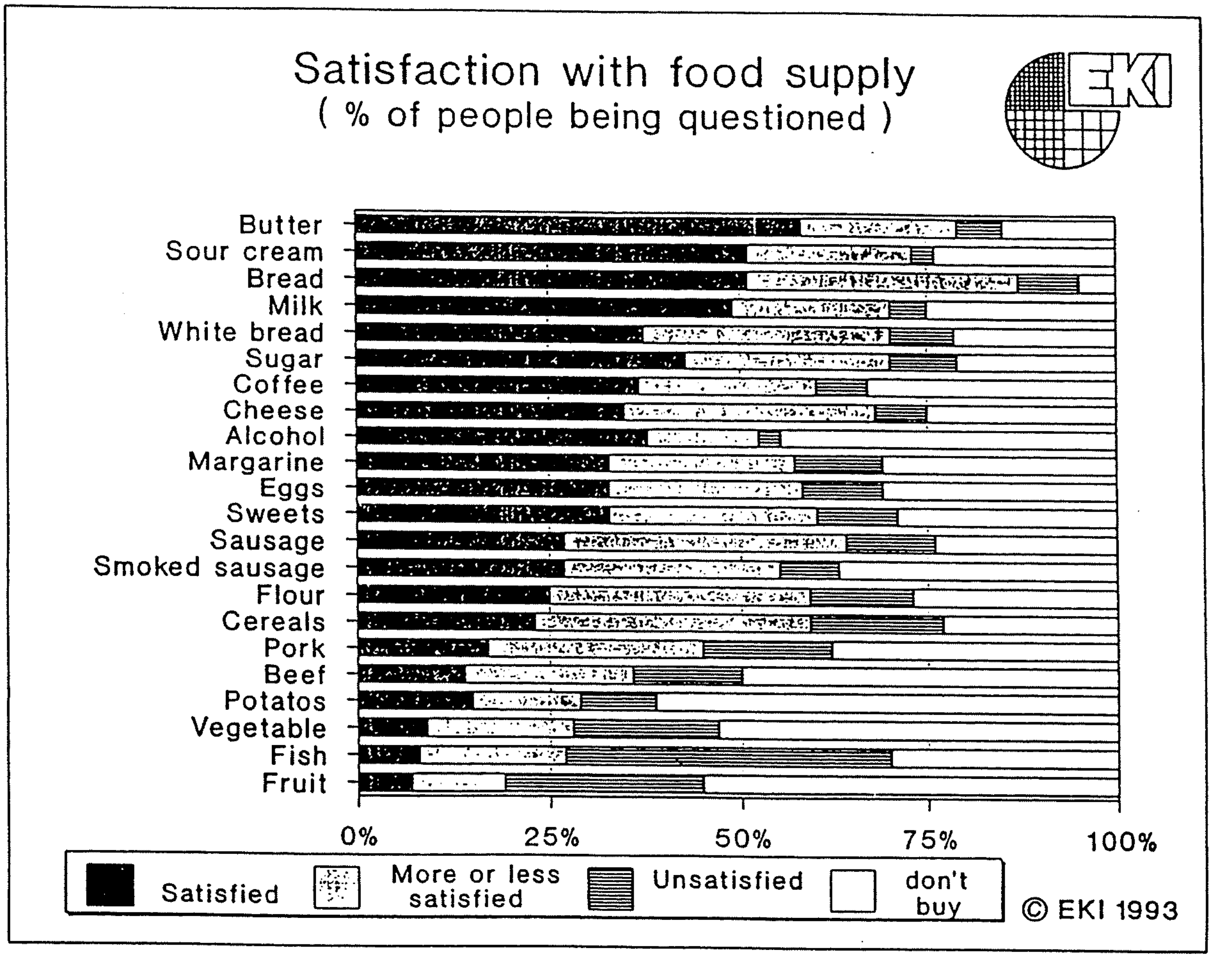


Figure 4 shows that the majority of consumers are satisfied with the supply of butter, sour cream, bread and milk, and dissatisfied with the supply of the remaining 18 consumer goods. However, even for butter, sour cream, bread and milk, a sizable minority is dissatisfied with the supply. Both Figures 5 and 6 show that dissatisfaction with the food supply has declined compared with all years since 1987. In 1992, only about 10% are dissatisfied with the supply of meat, milk, eggs, margarine and sugar (Figure 6). These results need an explanation.

Due to the drop in purchases of foodstuffs and a considerable increase in imports, the assortment in shops has improved perceptibly, and contentment with supply has increased for some consumer goods. But this does not mean that consumers in Estonia are satisfied with the supply of all consumer goods, or that all consumers are more satisfied with supply in 1992 than in 1990. There are big differences between consumer groups and product groups. The supplies of fish and fish products, fruit, berries, vegetables and pork are still poor. And consumers are more

Figure 4
Satisfaction With Food Supply, 1992

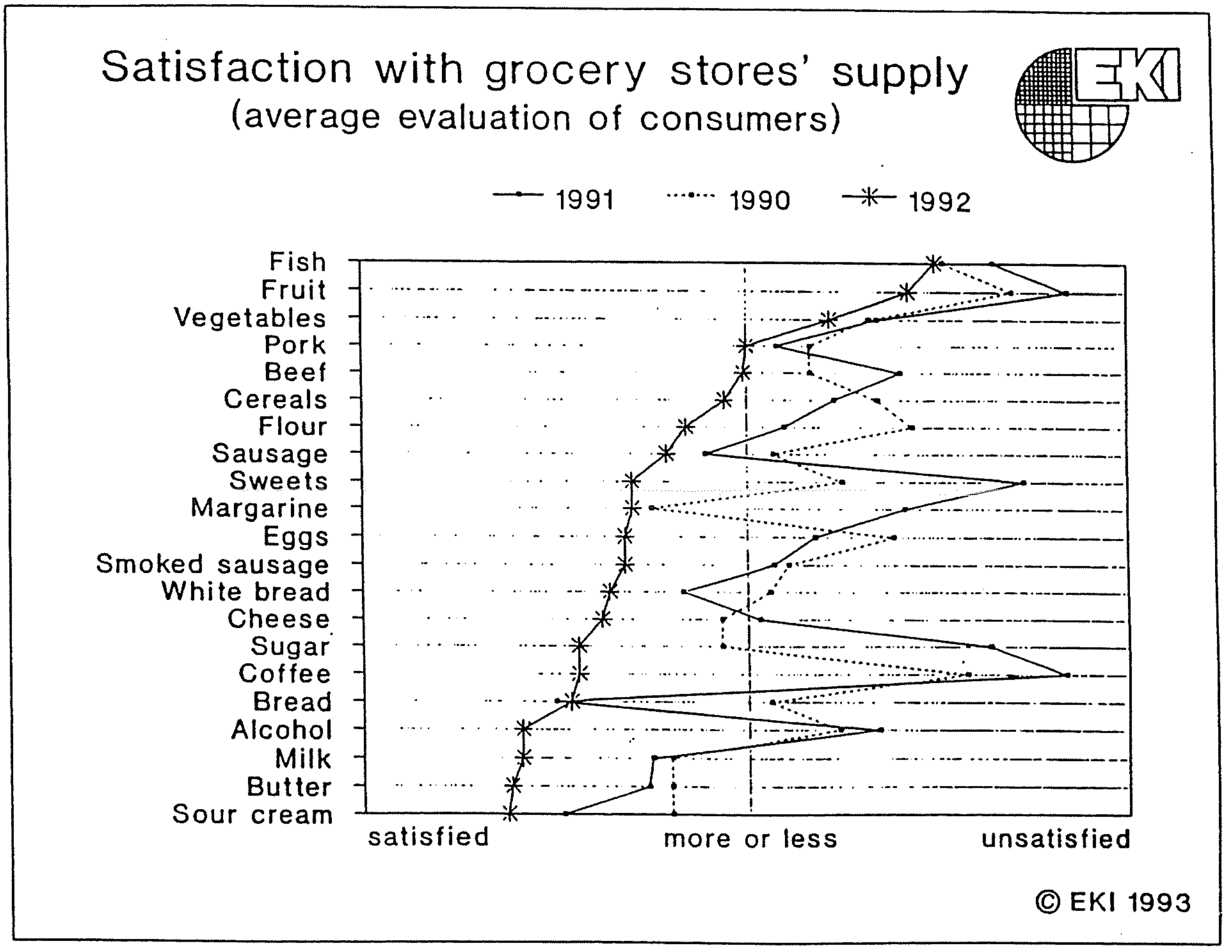


satisfied with the availability of consumer goods in the market than with their own consumption. About 10% of consumers said that they have no problem with the high price level; they are making enough money within the new market economy, On the other hand, families with small children and pensioners have big problems with both supply and prices.

In the current conditions of restricted purchasing power, people generally have not enough money for buying consumer goods. Money is primarily spent on food and rent. From 50 to 70% of those questioned did not purchase during 1992 such items as overcoats, jackets, other clothing, bedlinens, textiles, household machinery, audio-video apparatuses, etc. Those who did buy such commodities reply that they were considerably more content with the supply than in 1991.

So far this study can conclude that consumer satisfaction with the food supply has increased in 1992, compared with 1990 and 1991. But this attitude is difficult to understand because the actual consume of consumer goods in 1992 was only 1/3

Figure 5
Satisfaction With Grocery Stores' Supply

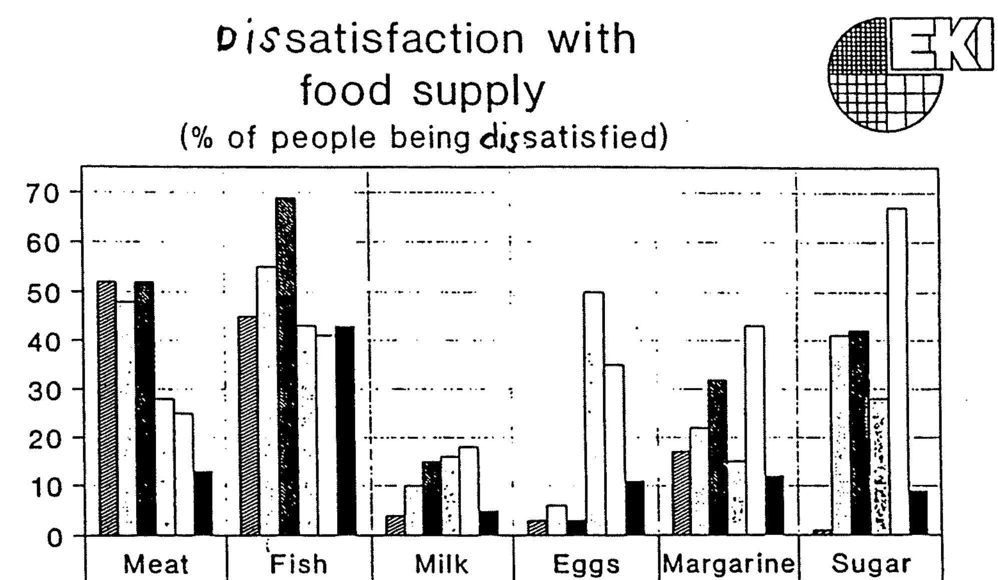


compared with 1989. Some of this increase is a result of the new market economy: with enough money, one can buy what one wants. But one have to remember that Estonia, so far, has got no free market economy, the only really free element in the economy seems to be the prices. The increasing prices is to day the main problem for the majority of consumers, and far more serious than the supply. The problem with lack of supply is overshadowed by inflation. Everyone can see that queues have disappeared; you can now buy everything you want Pcs, cars, meat and holidays in the Bahamas - if you only have money available. And for the new-rich people this high price level represent no real problem.

Let us now turn to satisfaction/ dissatisfaction with *prices*. Figure 7 shows consumer opinions of food prices for many of the same products as in Figures 4 and 5. The majority of consumers think food is expensive. It is worth noting that most consumers do not buy fruit, vegetables and potatoes because they grow them themselves and the marketprices are too high.

In the opinion of the respondents, most

Figure 6
Dissatisfaction With Food Supply

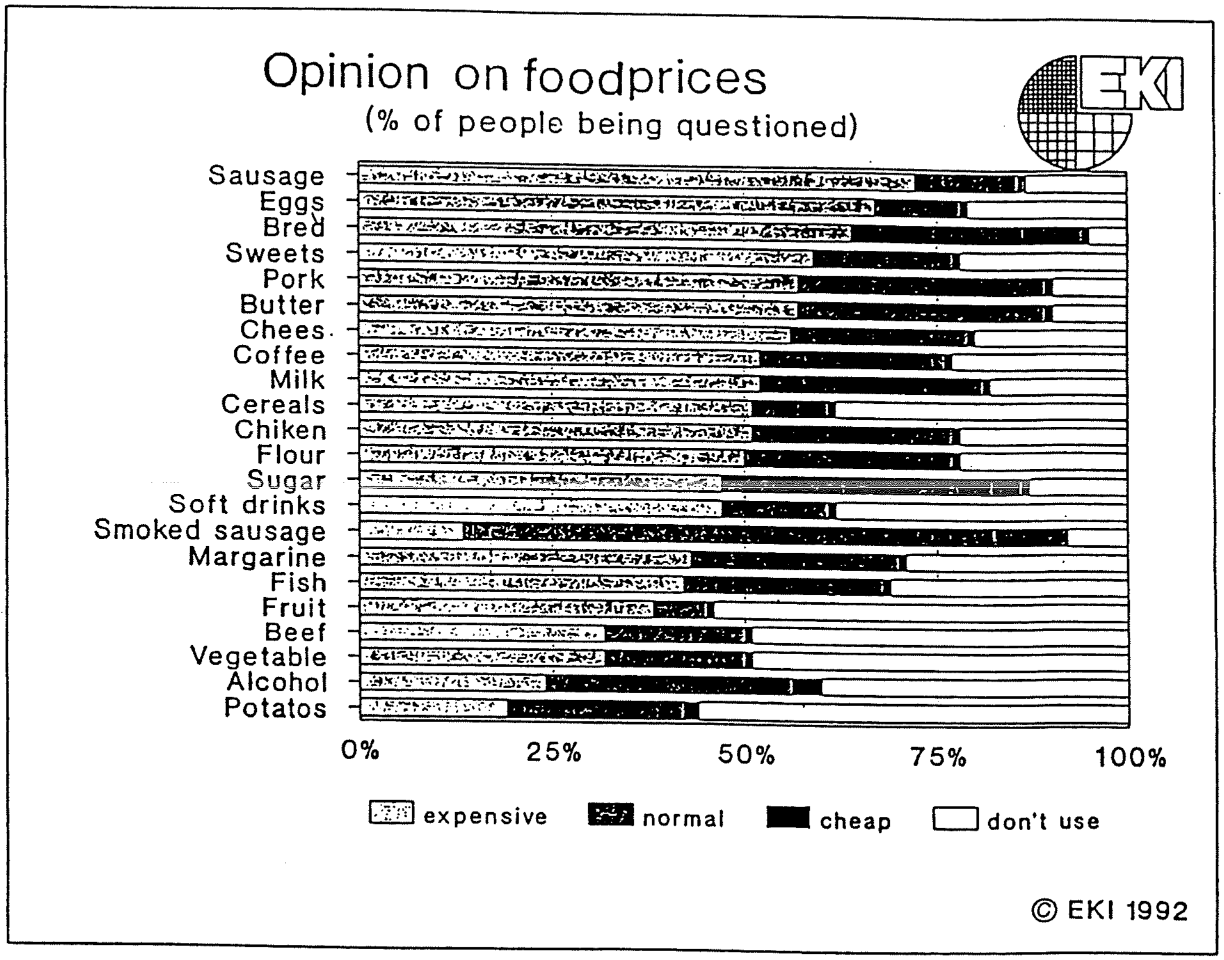


	Meat	Fish	Milk	Eggs	Margarine	Sugar
1987	52	45	4	3	17	1
1988	48	55	10	6	22	41
1989	52	69	15	3	32	42
1990	28	43	16	50	15	28
1991	25	41	18	35	43	67
1992	13	43	5	11	12	9

foodstuffs were too expensive. The prices of sausages, eggs, rye bread, white bread, sweets and pork were regarded as being too high (See Figure 7). In 1991 rye bread was too expensive for 11% and milk for 38% of the respondents; while in 1992 rye bread was too expensive for 63 per cent and milk for 52 per cent of the respondents. From December 1991 until December 1992 the price of milk, for example, has increased 18 times, of pork 4 times and of rye bread 44 times.

In recent years the commodity market has given Estonia's consumers a chance to have their choice. The dictate ofthe manufacturer is on the way to being replaced by the dictate of the consumer, and *the quality of goods* is becoming more important as well. Estonia's consumer goods market, which has been filled almost entirely with domestic production and with goods made in the former Soviet republics, is in active preparation for re-orientation. The role of imports from Western countries has become significant. In 1990, 52% of Estonia's imports were imported from Russia, 8% from Ukraine, and 2% from Germany; in 1992, only 33% of goods were

Figure 7
Opinion on Food Prices, 1992



imported from Russia, while 23% came from Finland and 8% from Germany.

Consumers now find themselves in a situation where the majority of available goods are unfamiliar to them. They are ignorant of their quality, and the competence of the dealers is mediocre as well. According to EKI-TEST'92, 17% of those questioned regarded the competence of shopkeepers as being good, 63% as being satisfactory, and 20% as been bad.

The final question put forward in this paper concerns consumer opinions of the quality of consumer goods in Estonia. In 1992, one-third of the respondents had quality problems, concerning both food and other consumer goods. As for foodstuffs, the majority of complaints concerned the quality of domestic production, and the lowest quality proved to be sausages, rye bread, white bread, butter, milk, cheese and pastas. Table 1 shows that 12% of the sample made complaints on footwear in 1992.

The main problems with food concerned taste and consumer safety. The food was tasteless, the date had expired and often the food was even

Table 1
Consumer Complaints in Estonia:
% Who Complained in 1992
(N = 1100)

Food	
Sausage	22
Bread	17
Butter	14
White bread	11
Milk	6
Cheese	4
Sour cream	3
Wieners	3
Pastas	2
Minced meat	2
Consumer Goods	
Footwear	12
Underwear	3
Hosiery	3
Clothes	3
Household machineries	2
TV and radio sets	2
Furniture	1

tainted. As for other consumer goods, the complaints focused on the quality of footwear, underwear, hosiery and other clothing. Estonia has imported a large number of TV and radio sets and household machinery. Frequently bad imitations of famous trade mark goods are sold for which shopkeepers are neither able nor willing to give any guarantees. As Estonia's consumer protection law is still in the state of preparation, the problem of managing in the "commodity jungle" remains, for the time being, the consumer's own concern.

CONCLUSIONS

The main focus of this article has been consumer satisfaction/dissatisfaction in Estonia on the macro level and this is the first study done in Estonia. But before the authors could approach this question it was necessary to have a brief look at the political and economic situation in Estonia.

In Estonia, the standard of living has dropped noticeably in recent years and consumption has declined dramatically. These fact are reflected in the subjective estimates given by the respondents concerning the economic situations of their families on the one hand. In December 1992, 52% of the respondents regarded the economic situation of their families as bad or very bad. In comparison with previous years, the share of families who regarded the economic situation of their families as being satisfactory has diminished while the proportion of those who regarded the situation as being bad has increased. On the other hand the data indicate that consumers feel their standard of living reached the bottom in 1992. In 1990, 60% expected that the economic situation for their family would be worse next year, but only 39% shared this opinion in 1992.

In the light of the strained economic situation for consumers in Estonia, it is not surprising that the overall level of dissatisfaction is high. More surprisingly, satisfaction with the *supply* of food is shown to be rather high and, in fact, increasing. This, however is not to imply that consumers are satisfied with the supply of all consumer good, and that all consumer are more satisfied with supply in 1992 than in 1990. But this attitude is difficult to understand because the actual consume of consumer goods in 1992 was only 1/3 compared with 1989, and the total agriculture production fell by 21% in 1992, compared with 1991.

Big differences exist between consumer groups and product groups. Consumers can now find an increasing supply of consumer goods in shops - partly because people cannot afford to buy them. Consumer satisfaction with the supply of food has risen in 1992, compared with 1990 and 1991. Some of this is a result of the new market economy: with enough money, you can now buy what you want. But the main reason for this increase in satisfaction with supply of consumer goods is linked to high prices. The problem with lack of supply is overshadowed by inflation. The goods are now available, if even they may be unaffordable.

Estonian consumers rate consumer goods as being too *expensive* while the *quality* of goods and services is low. Although consumer satisfaction with the supply of consumer goods has risen during the last year; the opposite is the case for consumer evaluation of prices. This indicates that for Estonian consumers prices represent a more serious problem than the supply of consumer goods.

In Estonia's new market economy, consumer dissatisfaction often results in complaining. In the future the authors hope to widen the scope of this study to include complaining behavior among Estonian consumers.

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