

The Internet in Latvia is Developing

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The fact that the Internet market is developing very rapidly in Latvia as in the rest of the world is illustrated by the increasing number of Internet users in the country. The latest studies in the sector show that at the end of 2002, 26% of Latvia's economically active residents were using the Internet.

As has been the case in most European countries, factors which have enhanced the development of the Internet in Latvia include the level of telecommunications development, of economic development, of public education and of the variety of information that is available on the Internet. In order to learn more about the current situation concerning the use of the Internet in Latvia, the Latvian Internet Association conducted a market survey in late 2002. The results allow us to produce a general evaluation of the market situation, as well as of the readiness of businesses and individuals to use electronic services.

The study was based on previously collected data, on telephone surveys of businesspeople and private individuals, as well as surveys of Internet users on various Latvian portals. A total of 2,500 companies in Rīga and outside of it, as well as 3,000 private individuals in all of Latvia were surveyed.

FACTORS WHICH PROMOTE INTERNET DEVELOPMENT

By the end of 2002, the Latvian telephone company Lattelekom had digitized 83.2% of Latvia's telecommunications market. There are currently 30 phone lines per 100 residents in the country. Development of the telecoms market allows clients to make use of increasingly varied technological solutions when it comes to Internet connections. Cooperation between banks and commercial enterprises in the development of leasing, crediting and other opera-

tions has encouraged greater numbers of companies and individuals to buy computers. As the economic situation in Latvia has improved, the spread of computers among private individuals has increased. Logically enough, this has led to an increased number of Internet users, as well as an increase in the intensity of Internet use in this market segment.

Now that the number of Internet users has been on the rise, international capacity which ensures ongoing improvements in the quality of the Internet has also increased over the last two years.

THE SPREAD OF COMPUTERS AND THE INTERNET

Computers are used in everyday work by 80% of Latvia's companies, and approximately the

same percentage also use the Internet. People from the 20% of companies that do not use the Internet at work blame the situation most often on a lack of knowledge. There is not much information about ways in which companies can improve operations and enhance efficiency by using modern technologies. Among the various sectors of the economy, computers are used most often in the financial and insurance industries, while they are used least often in companies which are engaged in agriculture. That has to do not only with the specifics of the sectors, but also with the fact that rural regions face technological problems and an unfavorable economic situation.

People in Latvia have a fairly good level of overall education (61.6% have a secondary education, and 21.4% have a higher education), but there are still lots of people in the age group of 35 to 60 who lack special knowledge about the use of computers and the Internet. This study showed that companies which have computers sometimes don't use them because they don't know what to do with them. Others simply use them as fancy typewriters.

Where do people in Latvia use the Internet? It's still true that it

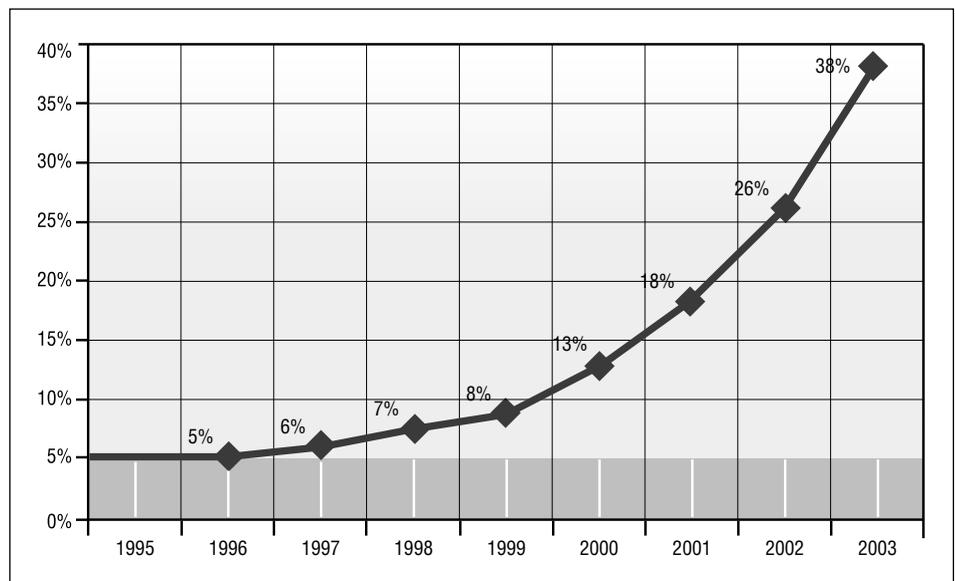


Figure 1. Internet use intensity among economically active residents, %.
Source: Latvian Internet Association, 2002.

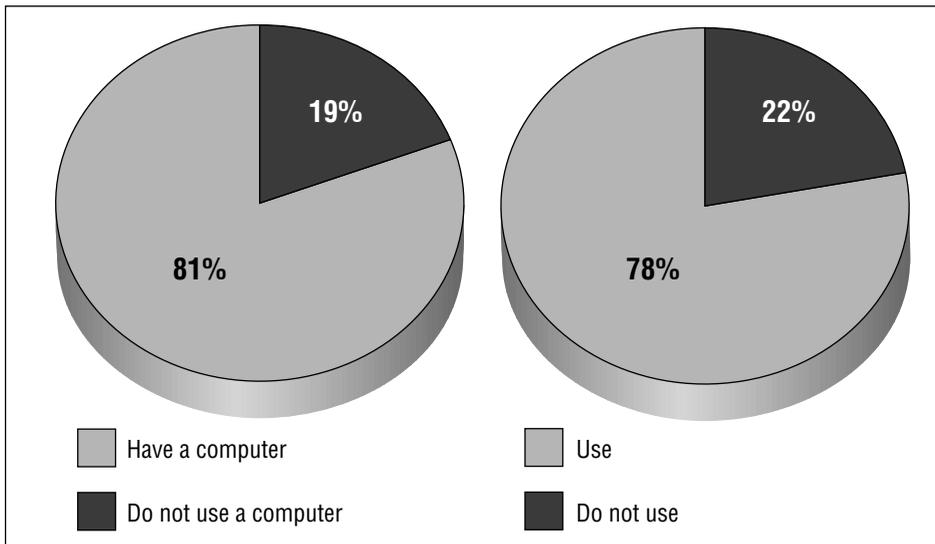


Figure 2. Computer use among surveyed companies.

Source: Latvian Internet Association, 2002.

happens most often at work, but the number of people who access the Internet at home has been swiftly on the rise in recent years. That is not only because people can buy computers on credit, but also because content has developed. There have also been new types of connections which have helped in increasing the number of home users in particular. Those Internet users who make use of the Net at home say that Internet service prices in Latvia are high or very high but there are proportionally the same number of people who think that the tariffs are acceptable. The sum that respondents say they are ready to pay for Internet services ranges between Ls 6 and Ls 20 in most cases.

OBSTACLES AGAINST DEVELOPMENT

The rapid development of the Internet has meant that people must also learn about new technologies more quickly. Latvia currently needs 80% more Internet specialists to help in the development of Internet services, so the training of new specialists is a very important matter. The Professional Education Center ran a study which showed that in 2005 Latvia will need 300% more

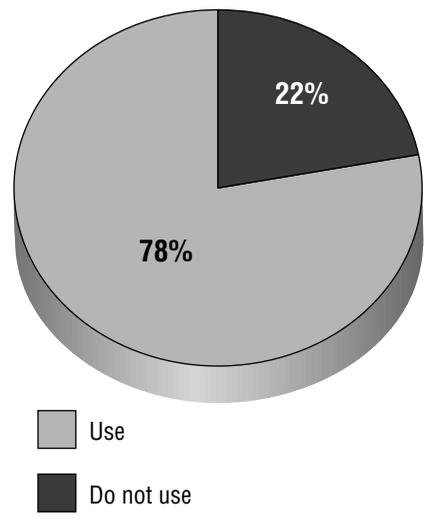


Figure 3. Internet use among companies which have computers.

specialists in the IT&T sector as are employed right now. Most of the specialists who worked as IT specialists at various companies last year did not have a specialized academic education. A lack of IT specialists has led increasing numbers of companies to hire first-year university students, many of whom are largely self-taught.

Statistics about the sale of services in Latvia do not separate out information technology services and services that are offered via the Internet, even though this

share of services represents a significant share of the Latvian economy and GDP.

CONCLUSION

To summarize, there are both pluses and minuses when it comes to Internet development in Latvia. On the positive side, the number of Internet users is rapidly increasing, and the quality of Internet connections is improving, especially in the business sector. Many different kinds of access services are appearing in the market. Latvia's economic situation is improving on a year-to-year basis, positively affecting the spread of computers among private individuals. The general and informational content of the Internet has developed, even though specialized content has not.

On the other hand, the economic situation in Latvia is still fairly difficult, especially in rural regions. Telecommunications tariffs are too high for Internet users, especially private individuals. The range of information on the Net that is available in the Latvian language has not been developed, so many users do not have much of an interest in using the Internet in a serious way. There is also a lack of specialized information. The number of Internet users is

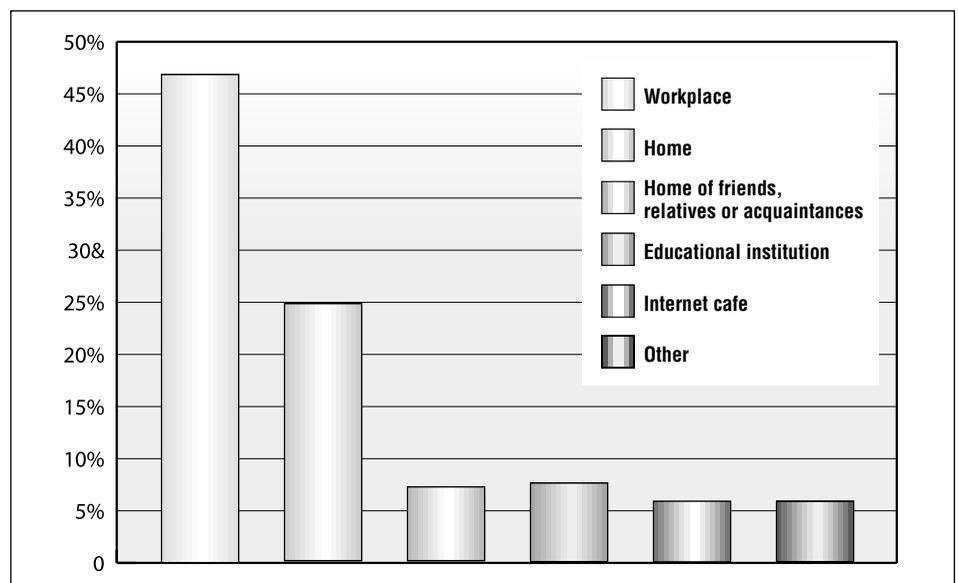


Figure 4. Location of Internet use among surveyed company employees. Source: Latvian Internet Association, 2002.

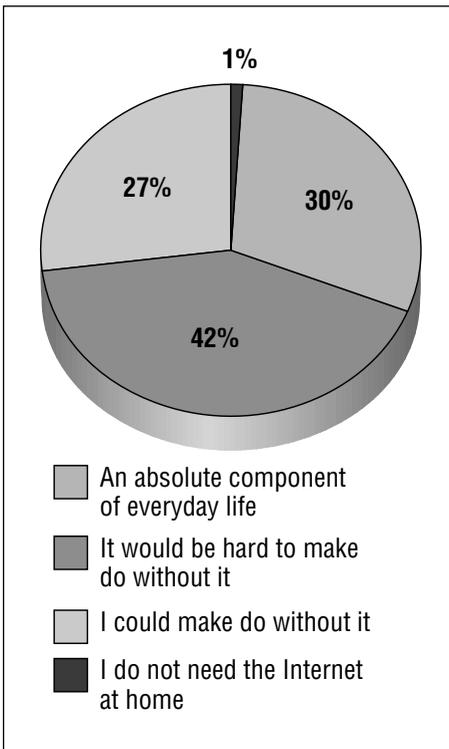


Figure 5. User views about the Internet at home.

Source: Latvian Internet Association, 2002.

also limited in terms of age groups and specialized knowledge about Internet use.

Computers are used by 80% of companies, the Internet is used by 60%. Public access networks are gradually developed. In late 2002 these were most commonly found in libraries, school computer classrooms and Internet cafes.

The number of home users of the Internet is on the rise, which is a positive and notable trend. It has to do with the gradual but convincing development of greater amounts of information, with changes in the way in which work is organized (increasing numbers of people work at home), and with programs among computer retailers and Internet service providers which allow people to buy computers on credit.

Access to telecommunications services, information technologies and banking transactions on data transmission networks is seen as the most important prerequisite for the emergence of E-commerce in Latvia. □