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(signature)

**UAB "ADS BALTIC" CUSTOMER LOYALTY
ENHANCEMENT**

BACHELOR THESIS

Supervisor:

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SUMMARY

Gavėnas, J., Enhancing customer loyalty in UAB "ADS Baltic"

[Manuscript]: Bachelor Thesis: management and business administration. Vilnius. ISM University of Management and economics. 2012.

UAB "ADS Baltic" is a Lithuanian company that provides business supplies and souvenirs for its clients. The aim of this Bachelor Thesis is to reveal the essence of loyalty and customer perceived value, design conceptual research model, conduct empirical research and provide recommendations how to increase UAB "ADS Baltic" customer loyalty.

To achieve the goal such objectives were generated:

1. Perform an internal situational analysis of UAB "ADS Baltic" and external analysis of business supplies and souvenirs market.
2. Provide theoretical background for the research by reviewing previous researches relevant to the situation.
3. Perform an empirical research to identify the links between Customer Perceived Value and Loyalty.
4. Provide managerial solutions based on the information acquired with the empirical research and managerial theories that are relevant to the situation.

The empirical research was conducted using a conceptual model created by analyzing theory and previous researches. A quantitative method - survey was used, Lithuanian business representatives answered the questionnaire. Data was analyzed and a relation between CPV and loyalty was found as well as other relations.

Various managerial solutions were provided using GLOVAL model of Customer perceived value and other theoretical researches focusing mainly on increasing service and emotional value. To increase emotional value several different suggestions were offered. Other recommendations included improvements to personnel and establishment value.

Keywords: Customer Perceived Value, CPV, Customer Loyalty, Service quality

SANTRAUKA

Gavėnas, J., UAB "ADS Baltic" Klientų lojalumo didinimas

Bakalauro darbas. Vadyba ir verslo administravimas. Vilnius. ISM Vadybos ir ekonomikos universitetas. 2012.

UAB "ADS Baltic" yra Lietuviška kompanija kuri teikia verslo atributiką ir suvenyrus savo klientams. Šio darbo tikslas yra atskleisti lojalumo ir kliento suvokiamos vertės esmę, sukurti konceptualų tyrimo modelį atlikti empirinį tyrimą ir pateikti rekomendacijas kaip padidinti UAB "ADS Baltic" klientų lojalumą.

Šiam tikslui pasiekti buvo sukurtos tokios užduotys:

1. Atlikti vidinę UAB "ADS Baltic" situacijos analizę ir išorinę verslo atributikos ir suvenyrų rinkos analizę.
2. Pateikti teorinį pagrindimą tyrimui peržiūrint ankstesnius tyrimus šia tema.
3. Atlikti empirinį tyrimą kuriuo identifikuoti ryšius tarp kliento suvokiamos vertės ir lojalumo.
4. Pateikti vadybinius sprendimus paremtus informacija gauta atliekant empirinį tyrimą ir vadybos teorijomis susijusiomis su šia situacija.

Empirinis tyrimas buvo įvykdytas naudojantis konceptuali modeliu, kuris buvo sukurtas analizuojant teoriją ir ankstesnius tyrimus. Buvo panaudotas kiekybinis tyrimo metodas - apklausa, Lietuvos verslo atstovai atsakė į klausimą. Surinkti duomenys buvo išanalizuoti ir buvo rastas ryšys tarp kliento suvokiamos vertės ir lojalumo, taip pat ir kiti ryšiai.

Įvairūs vadybiniai sprendimai buvo pateikti naudojant GLOVAL kliento suvokiamos vertės modelį ir kitus mokslinius straipsnius, pagrinde nukreipti į paslaugos ir emocinę vertę. Kad padidinti emocinę vertę buvo pateikta keletas skirtingų sprendimų. Kitos rekomendacijos apėmė pakeitimus didinančius personalo ir patalpų suteikiamą vertę.

Raktažodžiai: Kliento suvokiama vertė, CPV, kliento lojalumas, paslaugų kokybė.

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INTRODUCTION

At this stage of post crisis economical development many industries are experiencing a growth period once again. With the general growth of economy a hefty part of companies throughout many industries are increasing their marketing and representative budgets. While those budgets have not yet reached the pre crisis levels, this growth is clearly felt in business supplies and souvenirs market. A market that is so closely bound with the general prosperity of businesses in the country. While economical crisis have swiped a noticeable part of business supplies and souvenirs providers from the market, the competition is increasing heavily. This makes this market harder to compete every year and implementing new and innovative marketing strategies is crucial for company's success in this market. As a B2B market it is very important to be able to create and maintain customer loyalty as well as to deliver excellent service and satisfy clients expectations. As revealed in studies by Boonlertvanich (2011), J.C.F. Roig (2009) one of the key influencers of customer loyalty is Customer perceived value (CPV). This thesis will further explore the relationship of loyalty and CPV and produce recommendations for UAB "ADS Baltic".

The main problem of this thesis is how to increase client loyalty of UAB "ADS Baltic" customers.

The main goal of this thesis is to reveal the essence of loyalty and customer perceived value, design conceptual research model, conduct empirical research and provide recommendations how to increase UAB "ADS Baltic" customer loyalty. In order to achieve this goal such objectives have been generated:

1. Perform an internal situational analysis of UAB "ADS Baltic" and external analysis of business supplies and souvenirs market.
2. Provide theoretical background for the research by reviewing previous researches relevant to the situation.
3. Perform an empirical research to identify the links between Customer Perceived Value and Loyalty.
4. Provide managerial solutions based on the information acquired with the empirical research and managerial theories that are relevant to the situation.

Performing these tasks will result in achieving the main goal of the thesis and solving the main problem.

In this thesis an empirical research was performed using standardized interviews, standardized questionnaires and analysis of companies' internal data.

This thesis will benefit UAB "ADS Baltic" by providing it with a detailed companies' and market analysis as well as identifying the core drive factors of client loyalty as well as suggest relevant solutions how to adapt the information and increase the loyalty of current and future clients of the company.

1. INTERNAL ANALYSIS

In this, first chapter of the thesis a situational analysis of UAB "ADS Baltic" will be conducted. The goal of this situational analysis is to provide core information about the company, provide some historical analysis of companies' financial data, provide companies' functional analysis as well as companies' marketing analysis. Also identify the core marketing flaw that leads to identifying the problem of the thesis. Analysis was performed using company's internal data.

1.1. General information about the company

UAB "ADS Baltic" was originally established on 4th of June in 2008 by the main co-owner of the company, Andrius Kaziukonis, who was and still is the manager of the company. Andrius Kaziukonis and other co-owner together holds a controlling package of the company. The third shareholder of the company is companies' import manager, a Latvia resident who was invited to join the company because of his competences in the imports of the company. Two of the companies' shareholders will remain unknown, as they wanted. UAB "ADS Baltic" was established in Vilnius, Lithuania and continues to operate there. The authorized capital of the company is 10000Lt.

Companies' core activity is providing business supplies and souvenirs for other businesses as requested in their orders. The majority of business supplies and souvenirs are: pens, pencils, key chains, hats, T-shirt, jackets, hoodies and similar pieces of textile, flags, lighters, calculators, umbrellas, USB sticks, thermos flasks, cups, tea pots, wallets, card holders and other leather accessories, briefcases, handbags, backpacks, candles, table games and accessories, playing cards, poker merchandise and many other goods.

There are 4 employees in the company. UAB "ADS Baltic" office is located in Vilnius, Nagevičiaus str. 3. Company's import manager is telecommuting from Riga, Latvia.

Company's mission - To provide our clients with the best business supplies and souvenirs manufacturing and logistics services in Baltic states.

Company's vision - ADS Baltic - the best business supplies and souvenirs provider in Baltic markets with a strong and broad partner network in Europe and Asia, offering its' clients relevant innovations and suitable products.

Company's core values are as follows :

- Diligence
- Flexibility
- Quality of service

After performing an interview with the manager of the company Andrius Kaziukonis it was evident that the company has no clear long term business strategy and because of the specifics of the market UAB "ADS Baltic" has to remain flexible and capable to adapt to clients needs. Even though there is a clear lack of strategy it is clear that company has a "excellence" policy and fulfils every order with the maximum of attention to maintain the quality of the services they provide at

optimal level. The existence of such policy is a clear sign that quality of service is one of company's strategic directions, even though it is not formulated as official company's strategy.

UAB "ADS Baltic" is a member of international organization PSI (The international Network of the promotional product industry). PSI is an organization that connects the distributors and manufacturers of promotional materials in the whole world and helps UAB "ADS Baltic" to achieve some recognition as a provider of qualitative services and world-known products.

According to managing director of the company one of key success factors of UAB "ADS Baltic" is their excellence in all the services they provide, every order that company fulfills is carried out with great care and quality.. Company is perfectly aware that managing service quality is their field of excellence and they continue to capitalize on that. Another competitive advantage of the company is their ability process orders fast and relatively cheap, that comes from their experience in imports. Company's partner relations and huge partner network in Europe and Asia allows UAB "ADS Baltic" to provide faster and/or cheaper services for the client. These and other Advantages will be discussed in detail later in the thesis.

1.2. Performance analysis

To briefly analyze UAB "ADS Baltic" performance in the past the following table (Table 1) provides key financial number history for the last 5 years. Numbers are rounded to 5000Lt.

Table 1. Performance analysis

Year	Revenues	Costs	Profit
2008	380.000 Lt	340.000 Lt	40.000 Lt
2009	480.000 Lt	445.000 Lt	35.000 Lt
2010	560.000 Lt	500.000 Lt	60.000 Lt
2011	1.100.000 Lt	930.000 Lt	170.000 Lt
2012(expected)	1.300.000 Lt	1.040.000 Lt	260.000 Lt

As it is clearly shown in the table above, UAB "ADS Baltic" has performed well straight from the establishment of the company and has continued to grow even throughout the period of the financial distress. The growth of the company is not provided in any form since due to the relatively small size of the company the growth would appear huge and would not provide any useful insight. The significant growth of sales in the year 2011 is due to company's sales manager and directors efforts and time spent on direct sales.

In the year 2009 due to financial distress in the market the commercial rivalry has increased significantly. While the revenues has increased steadily due to the work inputted by the employees the profit margins have been reduced in order to provide UAB "ADS Baltic" with advantage over competition in the fight for the market. As seen in the table above, while the revenues increased by ~25%, profits have plummeted. Later it could be seen that this strategy was very successful and clients that were acquired in that period remained loyal and generate profits even today.

After the year 2009 company's sales forces has pushed even harder to acquire more new clients. As the skill and experience of the sales people increased, the overall revenues of the company has risen significantly and bypassed 1 million Lt.

1.3. Past strategy

UAB "ADS Baltic" is performing significantly well in contrast with the fact that company has no long term strategy. Company does have a mission and vision statements formulated as well as key values identified, though these are more like decorations to company's web site than actual statements or values that the company follows by heart. As a practical implication of action that is the closes to real strategy a "yearly planning meeting" could be mentioned. At the end of the year UAB "ADS Baltic director organizes a meeting where tasks for the upcoming year are formulated and a round forecast of revenues is formulated as a goal for the next year. Employees then review any significant events that are about to take place in the upcoming year (such as men's basketball championship Eurobasket 2011) potential partners and clients are named and listed for the sales force to contact.

Such an absence of strategy affects company's' ability to acquire and maintain a clear competitive advantage over their competition in business supplies and souvenirs market. Creation of such strategy would affect company's competitiveness in significant manner. This might lead to acquiring more and better (bigger) clients and turning them loyal. Such a change would convert to more profits for the company (short term) and creating a dominant and leading position in the market. In the tables below (Table 2, Table 3) current functional level strategies of UAB "ADS Baltic" are provided.

Table 2. Past strategy 1

Past strategy			
Functional area	2008 Strategy	2009 Strategy	2010 strategy
Finance	-	Search of alternative funding for projects	Search of alternative funding for projects
Sales/Marketing	Active sales	Active sales, price competition (decreasing profit margins)	Active sales, client relationship management
Import	Search of new suppliers in China and Europe	Search of new suppliers in Asia and Europe	Increasing product portfolio
Development	-	Search of clients in Baltic states	Focusing on bigger clients

Table 3. Past strategy 2

Past strategy		
Functional area	2011 Strategy	2012 Strategy
Finance	Cost optimization	-
Sales/Marketing	Active sales, client relationship management	Active sales, client relationship management
Import	Increasing product portfolio	Search of innovative products
Development	Search of business opportunities in EuroBasket 2011; increasing product portfolio with poker supplies	Development of USB flash drives market

After reviewing past strategies there is an important notification, all these strategies are in functional level and the company does not have any business level strategy that could be transformed in to competitive advantage. From the current functional strategies, import strategies has created the most relevant achievements. The manufacturer and distributor network that it created, allows UAB "ADS Baltic" offer its clients relatively good prices and good lead time. Lead time is an important factor in this market and gives company an advantage if a client is in urge need for the items requested.

Another effective measure that was implemented in functional level was the development of business in a form of searching for business (project) opportunities in co ordinance with significant events that take place in Lithuania. As a result, UAB "ADS Baltic" has acquired some good orders related to mans basketball championship Eurobasket 2011 that took place in 2011. The orders generated by this event let the company create additional revenues and acquire few more clients that turned loyal even after the event. The sizes of orders made lead to achieving economies of scale and saved companies costs on other orders that were made at the time of those orders related to Eurobasket 2011.

1.4. Internal functional analysis

Since UAB "ADS Baltic" is relatively small enterprise with only 4 employees it is natural that few functions in it might be performed by one employee. There are 4 functional areas in the company. In the table below (Table 4) functional areas are presented with a brief area description.

Table 4. Functional analysis 1

Functional area	Brief area description
Sales/Marketing	Client search, project search, client relationship management, layout design
Import	Expansion of manufacturer and supplier network, order creation, order processing, expansion of product portfolio, logistics management (to Lithuania)

Finance	Expansion of financing options
Administration	Preparation of contracts, business proposals, office management, logistics and distribution management in Lithuania.

Company's accounting is outsourced and being performed by other company that provides accounting services, that is the reason why UAB "ADS Baltic" finance functional area only cares about generating financing for bigger projects that company performs. Such an action is required because for some profitable orders to be fulfilled company has to pay its suppliers advance payments and the customers of UAB "ADS Baltic" are not willing to pay advance payments to them. While current functional structure is settled in place and works just fine, it creates difficulties that result in time waste and makes sales force use their time ineffectively. While functional overlap cannot be avoided in such a small enterprise, a better management of functions inside of the company would result in significant increase in employee productivity. Such observations were made during the initial strategic analysis and are already being fixed inside the company. Few implementations and adjustments have been made and company's functional areas now are as follows (Table 5)

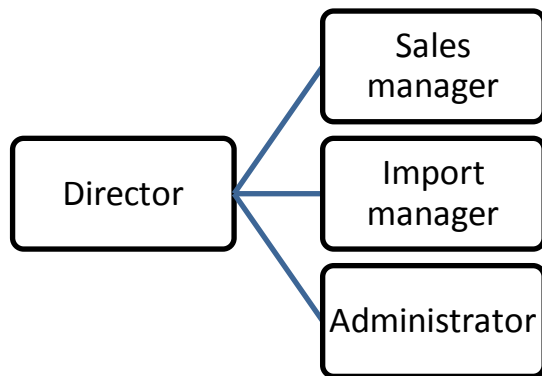
Table 5. Functional analysis 2

Functional area	Brief area description
Management	Search of expansion opportunities, process optimization, workforce expansion
Sales/Marketing	Client search, project search, client relationship management
Import	Expansion of manufacturer and supplier network, order creation, order processing, expansion of product portfolio, logistics management (to Lithuania)
Finance	Expansion of financing options, cost management
Administration	Preparation of contracts, business proposals, office management, logistics and distribution management in Lithuania, layout design

As it is shown in the table above, a new functional area is being created. A general function of management as functional area is to perform managerial tasks such as general search of business expansion opportunities, workforce expansion, especially, search and training of new sales force and process optimization. To create time for company's director to perform these task for the managerial area some implementations have been made to other areas: layout design (which is a process that is necessary in almost every order) is being transferred to administration as a functional area, and will be performed by administrator. Such change in processes will allow company to perform faster and cheaper and will provide opportunities to expand business in the near future.

UAB "ADS Baltic" has 4 employees and company's hierarchical structure is shown in the picture below (Picture 1). Such a simple company structure is typical for small enterprises, it ensures fast communication inside the company and grants good cost efficiency.

Figure 1. Company's structure



1.5. Company's marketing analysis

In this part of the thesis UAB "ADS Baltic" marketing analysis will be performed. First of all it is important to mention that at the moment of writing this thesis company is using only one marketing channel that together is their sole sales channel, that is direct sales. Direct sales generate 100% of company's revenue and all sales come from direct sales effort inputted by company's director and sales manager. While direct sales is the most commonly used sales/marketing channel in the market it is worthy to mention that there are other sales channels, some of them already utilized by competition, such channels will be discussed later in the thesis. Since direct sales is the only marketing channel used by UAB "ADS Baltic" there are tactical measures that are being used by company's sales force to boost company's market awareness. Such actions as asking for recommendations from the most loyal, "befriended" customers are common.

As a tool for acquiring new customers company's sales force are using "cold sales" technique, when sales people call random companies that have shown a potential to buy services similar to those provided by UAB "ADS Baltic". Possibility of such calls to result in sales depends on many factors, few of those that are worthy to mention are company's ability to fulfill orders faster than competition, friendliness/professionalism of sales representative, price of goods ordered, quality of goods delivered.

It is worthy to mention that one of companies marketing activities that helps to achieve some additional sales is client relationship management. Since the year 2009 UAB "ADS Baltic" is putting in some effort on client loyalty and devoting some resources to it (unfortunately no specific financial data has been accounted and stored to identify exactly how much company is spending on client loyalty, although according to director Andrius Kaziukonis "The cost is irrelevant comparing to the effect it creates" (Kaziukonis, 2012)). Although the client loyalty is an important issue in the business supplies and souvenirs market, there is no specific knowledge in the company what makes the clients loyal and why do they keep returning. It is important to mention that currently company has no manufacturing/import capacity limitations, import department could handle orders that are tenfold to today's orders with a help of few hired assistants to import manager. Creating a larger loyal client base would result in a significant turnover and profit increase.

In order to increase revenues and profits company should utilize 2 core strategies. Firstly, they should increase their sales potential by hiring and training new sales manager. Today UAB "ADS Baltic" has the highest sales-per-person in the industry, hiring and transmitting this sales know-how to the new sales representative would increase company's sales and would not affect company's costs significantly (because much of sales representatives salary is bonuses for the sales made). Secondly, company should utilize more sales channels to boost it sales and acquire new clients that later could be converted to loyal clients.

Secondly, company should identify the core reasons for the client loyalty in the industry and utilize them to convert their current and future clients loyal.

1.6. 7 P marketing mix

To further analyze the marketing of UAB "ADS Baltic" 7 P marketing mix for service companies will be used. Some of the Ps will not be fully functional because of the specifics of the industry.

Product(service):

UAB "ADS Baltic" provides a service of ordering customized business supplies and souvenirs from its suppliers. Such a service allows companies to acquire marketing materials without having to deal with suppliers in Europe and China and not needing any skills in design, import, etc. This service is made to help companies achieve such marketing goals as creating brand recognition and brand recall with the help of marketing materials such as pens, key chains, T-shirts, etc.. This is a service that utilizes companies experience in imports and helps clients to achieve maximum order efficiency. UAB "ADS Baltic" provides significant attention and care to its clients and delivers quality services that meet the quality speed and price standards even of the most scrupulous clients..

Price:

UAB "ADS Baltic" provides its customers with competitive prices that are often equal and sometimes lower than competitions. While company does provide competitive prices it does not consider itself to be a lowest price player in the market. Due to company's connections in China prices become relatively better comparing to competition according to the size of the order (the bigger the better). Utilizing the economies of scale ADS Baltic is more competitive comparing to the competition when the orders are bigger.

Place:

Company is strategically placed in Vilnius and not only it services the local clients that operate in Vilnius only, but it also provides services for companies that are operating in whole Lithuania or even throughout the Baltic states. Such placement allows company to gain a small competitive advantage over their rivals in other cities who can only serve local clients. Due to the specifics of the industry the place of the office is relatively irrelevant because most of the communication with clients is made through telephone or email, and those occasions when sales

representatives meets the client it usually takes place in clients office for the convenience of the client.

Promotion:

Company's only promotional tool is direct communication to the client. Not only company has only one sales channel (Direct sales) but it also communicates to its clients via direct link, that is meetings, calls, and mails and that is the only promotional activity it performs. While attracting new customers is one way to earn profits, the more efficient way is to increase client loyalty, where the focus of the company should go. Currently UAB "ADS Baltic" are putting in some effort on maintaining loyal clients. Such measures as occasional gifts, birthday calls and etc. are being used. These measures are random and do not have any planned order or strategy. While these actions are clearly working it is not enough and further measures to increase client loyalty should be done. From here comes the main problem of this thesis, how to create more client loyalty by identifying the core loyalty factors.

People:

In this small company, people are the greatest asset of the enterprise. 2 of company's employees are sales people that together generate over 1mln. Lt in sales. These salespeople have created a valuable sales knowhow and a deep understanding of clients needs and company's ability to serve them. While the existing sales people are excellent , company now faces a challenge and needs to recruit more sales people to increase company's revenues and utilize import department more fully. The experience gathered but company's import manager is another success factor that allows UAB "ADS Baltic" to compete in business supplies and souvenirs market so successfully. This Know-how that is gathered in enterprises import department lead to virtually bottomless manufacturing capacity and spectacularly large product portfolio.

Processes:

Over the 4 years of existence UAB "ADS Baltic" has created and optimized internal processes that helps them to decrease lead time and provide its clients with fast and qualitative service. The main process is fully optimized and it takes less than one day to order a sample, plus additional 7 days for the sample to be made and arrive to Lithuania. Orders are processed in 2 to 3 working days and manufactured and delivered to Lithuania in 1 to 3 weeks (depending on order size and complexity). Such processes give the company slight competitive advantage and helps to maintain clients that value fast service over price. While there still are process flaws inside the company those are not significant and do not damage service quality in any significant way.

Physical evidence:

While the company does have an office, any meetings rarely take place there. Due to market specifics and in order to satisfy customer, the majority of the meeting takes place in the clients office, which leads to the fact that the only part of physical evidence is the sales person him/herself. And the impression that sales representative is trying to achieve, is "a person that get things done". As this is business to business (B2B) market, being specific and professional is the only way to

achieve clients trust. Company's sales force are working hard to make good promises, and even harder to keep them.

This marketing mix proven to be an effective way to compete in business supplies and souvenirs market and granted UAB "ADS Baltic" and ability to be one of the most effective companies in the market. The excellence of imports, professionalism of people, speed of processes gives company a good background to satisfy orders and what it needs now is more orders. Such a goal can be achieved by increasing client loyalty and generating more continuous sales.

2. EXTERNAL ANALYSIS

For further benefit of the thesis an external analysis of the business supplies and souvenirs market was performed. This analysis is divided to market, customer competitor and macro environment analysis. Company's internal data, external data from Lithuanian department of statistics and other sources will be used. This part should help to develop a clear understanding of industry specifics and help the thesis by providing relevant data in order to understand the industry mechanics.

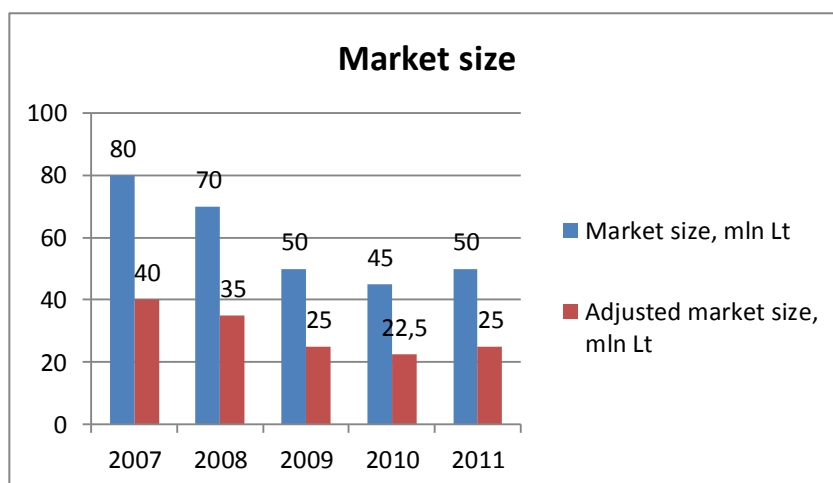
2.1. Market analysis

2.1.1. Market overview

In this chapter of the thesis business supplies and souvenirs market will be discussed. It includes customized products (with company logo, company names, etc.) that are made for business to business (B2B) market, general product categories are as described in part 1.1.. Products that are not included in to this category are general business supplies, such as paper, paperclips and other office supplies that are generic and can be bought in business supply shop. Other products that are not included in the business souvenirs category are expensive limited edition business gifts, such as golden Parkers, precious metal plated business souvenirs and etc.

According to Andrius Kaziukonis the combined market size in 2011 was about 50mln. Lt, though this number is hardly a representation of a real market size because of market specifics. As it has been stated in the interview there is "at least one player in the market that only provides its services for its holding company, this player accounts for ~50% of theoretical size of the business supplies and souvenirs market" (Kaziukonis, 2012). In the table and figure below (Table 6, Figure 2) theoretical market size and adjusted market size and trends for the last 5 years are provided. This table is from the data acquired in the interview with company's director Andrius Kaziukonis, data is from company's internal market analysis that was not provided for the thesis due to company's policies.

Figure 2. Market size



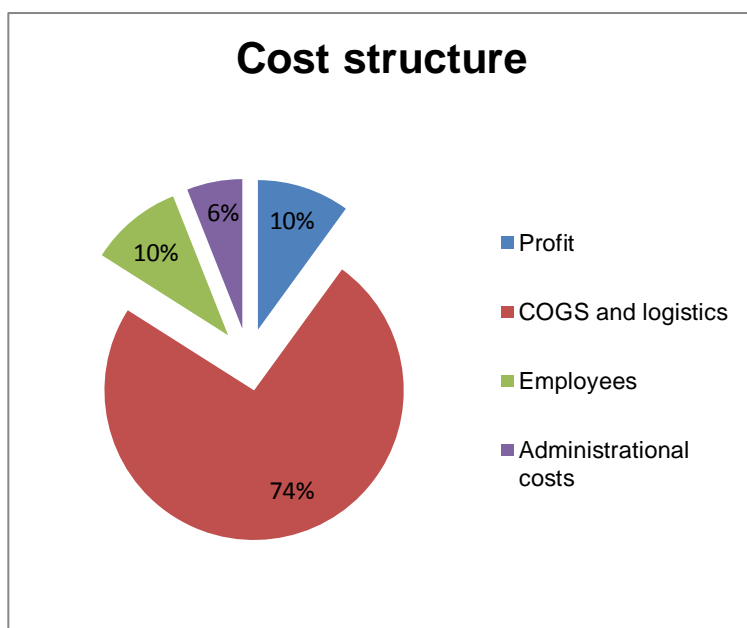
Source: UAB "ADS Baltic" internal data

As it is clearly shown in the figure above the economical crisis has struck the business supplies and souvenir market heavily, the market has almost halved in size in 3 years. During the period from 2008 till 2010 many players in the market had experiences serious problems or even faced bankruptcy. This was due to their incapability to manage resources and prepare for tougher times. As an example of bankruptcy UAB "TIK Dovanos" bankrupted 2010 after a stagnation period in 2009 (VĮ Registrų centras, 2012). In the year 2011 a slight rejuvenation in the market can be felt. this is due to general growth in other markets in Lithuania, since business supplies and souvenirs market is directly related to marketing budgets of other companies. The market growth reached 11% and according to companies director it is expected to grow another 12% next year (2012).

2.1.2. Cost structure in the market

The following representation of cost structure in the market is generated from UAB "ADS Baltic" cost structure, since the majority of players in the market operate using the same business structure. The cost of employees might vary from company to company since UAB "ADS Baltic" has achieved a significant cost efficiency due to the excellent work of enterprises sales force. Market cost structure is provided in the figure below (Figure 3).

Figure 3. Cost structure



Source: UAB "ADS Baltic" internal data

As shown in table above , the greatest part of the consists of cost of goods sold and logistics. These components are combined because of the structure of company's internal processes put them in to the same tab in internal documents, so it is grouped in this analysis also. Unfortunately, majority of marketing costs are hidden in this segment too , though they do not account more than 1% of total costs. Some of marketing costs are inlayed into Employee segment since customer loyalty care takes employee time and thus is a cost. The last cost segment is operation

(administration) costs, that are basic expenditures as cost of office space, fuel, accounting, telecommunications and etc.

2.1.3. Distribution system in the market

As a main distribution channel in the business supplies and souvenirs market company identifies direct sales and distribution of goods by customized client order. A hefty majority of orders in this market are being processed by the same scheme. When company's sales representatives interests a potential customer, he is being presented with sample products (some of them are being kept in Lithuania, the other part of samples are ordered from suppliers in Europe or manufacturers in China). After client examines the sample products and is satisfied with their looks and quality, he places an order. Layout design is being prepared to be sent to suppliers/manufacturers to imprint/engrave/etc. it on products. Company's import department then places an order that will be fulfilled in 1-3 weeks. When the goods arrive to Lithuania, they are being inspected for defects (if found company files a complaint and requires the order to be remade or takes a compensation in a form of discount, depending on clients needs). Goods then are distributed to clients location using outsourced carrier services.

As an alternative for traditional direct sales channel is an innovative e-commerce way of selling business supplies and souvenirs in e-shops. Even though e-commerce is very effective in many other markets, in this market it has provided some companies with additional revenue stream though mainly generating small and one-time clients, thus generating way less value than traditional direct sales channel. It also provides companies' import departments with inefficient orders that generate little profit while still taking time to process and design the outlay of the order. To conclude, retail E-shops of customized business supplies and souvenirs proven to be doubly effective.

Another e-alternative is creating additional sales and/or sales prospects for company's sales force by establishing promotional/informational websites that would catch business clients that are searching the web for specific keywords. Such sites sole purpose is to catch clients and direct them to companies sales representatives, or collect their data so sales representatives could contact them and proceed with sale. Such channels are found in similar foreign markets, though not yet used in Lithuania.

2.1.4. Market profitability analysis

To perform market profitability analysis Porter's 5 forces analysis will be used. Firstly, all the components will be identified and then they will be concluded in a table to create a general understanding of market profitability. The analysis consists of potential entrant threats, Competition threats, substitute threats, bargaining power of customers and bargaining power of suppliers.

Potential entrant threats:

- There is no need of significant investments to enter the market, since companies do not need to have any significant assets to compete in this market, there is no need to have any storage space since Just-in-time delivery model is a standard for the business supplies and souvenirs

market. All of the players in the market are a "middle man" between manufacturer and user so there is also no need for any supplies to be held in stock.

- Companies that compete in this market all provide generic services, most of the companies have no clear competitive advantage. No special competences are required to participate in this market as well as there is no need for any certificates or permissions. Such conditions makes the market lucrative for new entrants.

- There is a noticeable economies of scale advantage in this market. Companies that process bigger orders benefit from better prices and shorter lead times that gives them advantage in the competitive fight. As well as company's import departments experience and know-how in dealing with suppliers benefit company's ability to fulfill orders, thus making this a slight barrier for entry.

- Another competitive advantage that created barriers for competition to entry is know-how that is related to dealing with customers in Lithuania (Sales Know-how) to according to Andrius Kaziukonis "it takes about one and a half year to reach a competence level that is equal to the market average" (Kaziukonis, 2012).

Competition threats:

- Currently in business supplies and souvenirs market competition between players is not fierce. The majority of old players in the market have their loyal customer base and do not fight for new clients persistently. Some competition can be also seen in state tenders and bigger projects. This results in good profitability in the market.

- Current bigger players (revenues exceed 1mln. Lt) have gained some specific sales know-how that can be utilized to achieve greater revenues.

- Current bigger players (revenues exceed 1mln. Lt) have gained some specific import know-how that can be used in order to acquire better prices and shorter lead times. In addition to that, older players in the market have optimized processes that result in increased profitability of the company.

- Client loyalty is one of the key success factors in the market , that makes every player with some loyal clients have a stable position in the market. The number of loyal clients correlates a lot with the time spent competing in the market.

- There are no significant exit barriers in the business supplies and souvenirs market due to the fact that company's liabilities are not significant compared to their revenues, companies' activities are not finances with long term loans or similar financial instruments.

- Localization in the business supplies and souvenirs market is significant. While companies that are located in capital Vilnius, provide services for clients that operate in Vilnius and in whole country, situation in other cities in Lithuania is different, because there are many players that provide their services only in specific cities (Kaunas, Šiauliai, Panevėžys, etc) and do not expand their services to other cities. Regional markets are saturated way less than capital market.

Substitute threats:

- As an alternative for the service that players in business supplies and souvenirs market provide, a direct order from the manufacturer or importer could be mentioned. This method is used

by some of the major companies in Lithuania. Due to market specifics, only large enterprises can utilize this method and benefit from effects of scale economy and perform those orders cheaper than UAB "ADS Baltic" or its competitors. Other, smaller enterprises do not distract themselves from their core activities since it is not cost efficient.

- As an alternative to business supplies and souvenirs, customized paper goods could be mentioned. Such goods as blank notes, sticky papers, paper calendars and etc. While these defiantly are alternatives to production provided by the players in analyzed market, they consider them a "lower-grade" alternatives that cannibalize the market insignificantly.

Bargaining power of customers:

- In the analyzed market customers have significant negotiation power due to several reasons. Firstly it is common that customers leverage the negotiations by negotiation with few companies that compete amongst each other at the same time ,this way it can push the price to the limits. In the fight for new potential prospects companies sometimes cut their profit margins to win the first order in order to turn customers loyal and earn more profits from them in the future.

- Bargaining power of the customer directly correlates with the size of his order , the bigger the order, the greater is the negotiation power he possesses.

- Loyal clients have increased negotiation power. This effects lead time the most, price secondly. when a loyal places an order in automatically becomes more important than other orders.

- Bigger and loyal customers have better positions in negotiations for advanced payments, by not paying the advance payments they increase the costs of goods sold since a borrowed capital must be used in order to proceed the order.

- It is usual for bigger enterprises to demand for delayed payments, what creates cash shortage in the service company, which might lead to a short term loans that creates additional costs.

Bargaining power of suppliers:

- There are 2 major sources of supplies in the market: Manufacturers in Asia and resellers in Europe. These two compete with each other creating a comfortable environment for players in business supplies and souvenirs market.

- Manufacturers in Asia (mostly China) can offer better prices on larger quantities of goods ordered. Lead times for such orders are increased.

- Resellers in Europe can offer better lead times, though it often results in smaller product portfolio and slightly bigger price.

- Due to the great amount of manufacturers and resellers in the market, they do nor posses any significant negotiation power.

A summary table of Porters 5 forces market profitability analysis is provided (Table 7)

Table 6. Porters 5 forces

5 Forces	Distribution of factors by threat to market profitability		
	Low threat	Medium threat	High threat
Potential entrants		<ul style="list-style-type: none"> -Economies of scale advantage -importance of experience working with clients and suppliers - Know-how of sales force 	<ul style="list-style-type: none"> -Insignificant capital requirements -Generic services -insignificant switching costs -Open distribution channels
Competition threats	<ul style="list-style-type: none"> -Older companies supply majority of the market -Bigger enterprises utilize economies of scale -Client loyalty is important in the market 	<ul style="list-style-type: none"> -Import department experience affects lead time -Localized market -Market is full of small players 	<ul style="list-style-type: none"> -Competition is not fierce -No exit barriers
Substitutes	<ul style="list-style-type: none"> -Direct orders from manufacturers or resellers 	<ul style="list-style-type: none"> -Paper goods as a substitute 	
Buyers		<ul style="list-style-type: none"> -Negotiation power of loyal customers -Clients are unwilling to pay advanced payments -Bigger clients require delayed payments 	<ul style="list-style-type: none"> -Switching costs are minimal -Big clients have strong negotiation power
Suppliers	<ul style="list-style-type: none"> -Little negotiation power due to fierce competition between manufacturers and resellers -Supplier switching costs are minimal 		

To conclude market profitability analysis it is worthy to mention that market is very susceptible to new entrants because there are no significant barriers of entry, there is no heavy competition and suppliers have little negotiation power what leads to a relatively good market profitability. Additionally, client loyalty is important in the market and companies that have loyal clients benefit from increased profitability.

2.1.5. Key success factors

After completing external market analysis and analyzing UAB "ADS Baltic" internal data such key success factors have been identified:

1. Customer relations
2. Price
3. Lead time

4. Product quality

Successfully maintaining a good control over these 4 areas should lead any company to success in business supplies and souvenirs market. Strategically shifting company's efforts towards one (or more) of these factors would result in increased revenues and profitability of the company.

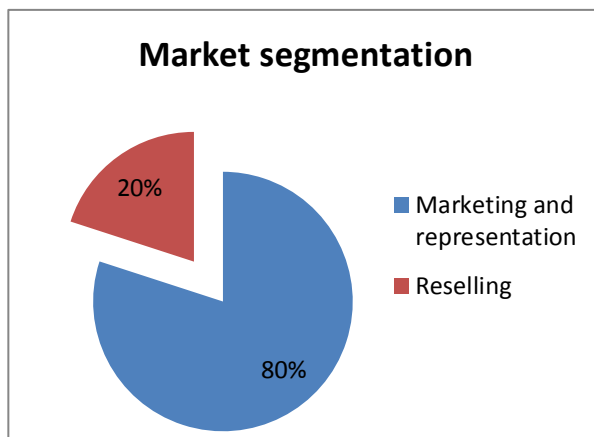
2.2. Customer analysis

In the upcoming chapter of the thesis customers of business supplies and souvenirs market will be discussed. A market segmentation analysis with corresponding segment motivations will be provided together with identification of unmet customer needs.

2.2.1. Market segmentation

In many perspectives business supplies and souvenirs market is quite solid. Due to the specifics of the market there is no logic in segmenting the market according to products or product categories, because the process of acquiring those products is identical as well as the reason of buying. The only logical segments that could be identified are segments by purpose of buying.

Figure 4. Market segmentation



Source: UAB "ADS Baltic" internal data

As it is shown in the table above there are two segments in this market. The first one, representing about 80% of total revenues is a segment that acquires products for the purpose of using them as promotional, marketing materials (pens, key chains for clients, USB flash drives for prospects, Clocks for partner companies, etc.).

The second segment that represents about 20% of the total revenues in the market are orders that are being placed in order to resell items ordered (metal souvenirs, large quantities of customized T-shirts for example).

2.2.2. Market segment motivation analysis

Each of the identified segments in the business supplies and souvenirs market has its own motivation for purchasing the items, as well as different factors that influence their decision to buy. The largest segment that purchases goods to use them as marketing and representation materials do

this clearly with the purpose of promoting their name and increasing their brand recognition and recall. Most of these items ordered by these clients will end up in their clients or prospects hands as a tool to create recall. This segment appreciates the large product portfolio offered by companies in the market discussed , since they often look for a way to stand out from the crowd with their promotional material. While price does play important role in the process of choosing supplier, client loyalty is observed and thought to be very common for this segment.

The main motivation of the second, resale segment is clearly to make more business. Such cases of orders when client has calculated that ordering the goods to be made in China through one of the local players in the market is still cheaper than to produce the good themselves are evident. Such cases of companies taking orders from their loyal clients and fulfilling them through such "middle-man" as UAB "ADS Baltic" are common in the market.

2.2.3. Unmet customer needs

When it comes to unmet needs, the business supplies and souvenirs market have very little. since the product portfolio and manufacturing capacity of manufacturers are virtually unlimited , and any product that is not produced yet, can be created and produced within a month, if the price is right. Some complaints of the customers in this market have been related to lead time, so we could identify short lead times as an unmet need of the market (Kaziukonis, 2012). This is especially true when orders are being fulfilled in China. On the other hand , any order can be processed in a week and shipped in various methods. The current industry standard is sea shipping, though if the client persists, air shipment can be used and would arrive in few days. Such orders are very rare due to the very high prices of air shipping.

2.3. Competitor analysis

Lithuanian business supplies and souvenirs market is a niche market that has small enterprises competing in it. In this part of the thesis a detailed analysis of the competition will be provided together with their strengths and weaknesses. Internal UAB "ADS Baltic" data was used for the analysis together with information from companies' websites and information from Lithuanian department of statistics (Lietuvos Statistikos Departamentas, 2012).

2.3.1. Identifying the competitors

There are many small companies in the business supplies and souvenirs market but due to the market specifics, especially localization , not all are worthy to mention. There are 5 main competitors of UAB "ADS Baltic" in the market (Kaziukonis, 2012). These competitors are listed below:

- UAB Solvida
- UAB Orientis, MamaReklama
- UAB Dasas
- UAB Echostamp, Stampline
- UAB JG reklamos dovanos

These enterprises focuses on supplying business supplies and souvenirs to Lithuanian market. Some other small players offer services for this market, but they are not considered to be real competition (Kaziukonis, 2012).

2.3.2. Competitors' strengths and weaknesses

Since there are few competitors in the analyzed market, there is no need to group them in any way. In the following table the main competitors of UAB "ADS Baltic" are identified, described, their strengths and weaknesses are named(Table 8).

Table 7. Competition analysis

Competitor	Information	Strengths	Weaknesses
UAB Solvida	Revenue 1.97mln. Lt Medium sized, 13 employees Have suppliers in Europe and China	Good sales representatives Strong imports department (offers good lead times)	Cost inefficient Weak web page Crowded with small orders
UAB Orientis, MamaReklama	Revenue 1.87mln. Lt Medium sized, 16 employees Have suppliers in Europe and China Have e-commerce site	Strong e-commerce site, that brings in small orders Good import networking in china	Cost inefficient Low experience on bigger projects
UAB Dasas	Revenue 1.12mln. Lt 3 employees	One of the oldest players in the market Survives from old loyal clients "Old" company , slow to innovate	Dependant of few dozen loyal customers Week sales force Weak web page
UAB Echo Stamp, Stampline	Revenue 4.5mln. Lt Big company, 36 employees Have retail shops Have suppliers in Europe	Have regional offices Have retail shops (office supplies) that act as a new client source Good product portfolio	No suppliers in China (Competing with price hurts their profit margins) Are involved in few more business areas
UAB JG Reklamos dovanos	Revenue 1.81mln. Lt Suppliers in China , Europe	Have ability to print/stamp Logo in Lithuania (not that much of advantage)	Negative information all around the internet Experiencing financial problems

Concluding the competition analysis it is evident that there are few competitors in the market that have their pluses and minuses, although none of the competing companies have a clear competitive advantage, thus making them vulnerable to client loss.

2.4. Macro environment analysis

To provide relevant macro environment analysis a PESTEL model will be used. Data is provided in the following table (Table 9)

Table 8. PESTEL

Environment	Tendencies	Effect on organization
Political	Political factors are minimal. Due to country's strict spending policies, governmental orders of marketing materials are becoming less popular.	Low
Economic	Analyzed market is being directly influenced by economical prosperity of countries economy through marketing budgets of other companies, the crisis in economy has struck the market hard, and the market began to slowly grow again in 2011.	High
Social	Social factors determine that the age of managers that in charge of marketing in companies is decreasing which affects the way they should be approached. There is a bad habit of not paying prepayments forming in the market.	Medium
Technological	New technologies that are developed by manufacturers increase the product portfolio and decrease the prices at the same time, in generally helping enterprises to offer better services to its clients	Low
Environmental	An increase in ecological materials is being observed, some seasonal good became more popular because of the climate change.	Low
Legal	Since legal consequences for corruption are being increased , participating in state tenders became more lucrative. Some laws and regulations influence import of goods to European union, that affects the prices of some goods in company's portfolio.	Low

Since many competitors in the market are small enterprises, many macro factors do not affect the players of this niche, Although as it is clearly seen in the PESTEL analysis that economical factors are the most influential to the analyzed market and successfully monitoring economical situation might help to make better strategic business decisions in the future. Since such small companies cannot influence the economical situation, they can only monitor and prepare for the downfalls or growths.

2.5. Problem identification

The internal analysis of UAB "ADS Baltic" and external analysis of business supplies and souvenirs market has provided many useful insights about the company and the market. The most important of those were:

- UAB "ADS Baltic" has relatively unlimited import capacity, that is not being utilized.
- Business supplies and souvenirs market is relatively profitable.
- Competitors in the market do not have any significant competitive advantages.

- There is a lack of customer loyalty and there is no knowledge about any factors that create the customer loyalty.

Considering the information acquired in the internal and external analysis it is evident that capturing and maintaining customers is the key factor to succeed in this business, therefore it is very important to be able to create customer loyalty. From here comes the main problem of this thesis: how to increase client loyalty of UAB "ADS Baltic" customers.

3. THEORETICAL BACKGROUND

This thesis and the research performed mainly focuses on customer perceived value and its effect on customer loyalty in general and in detail. To fully understand these concepts a detailed analysis of Customer Perceived Value (CPV) and Customer Loyalty will be provided in this part of the thesis as well as analysis of previous researches by other authors on these subjects.

3.1. Concept definitions and dimensions

There are many researches made in the field of relationship marketing that inspect the concept of Customer Perceived Value (CPV). Generally CPV can be defined as a customer's view on product considering what is being given away and what is received (Mei-Lien Li, 2011). Few variations of definitions of CPV can be found in literature. "The customer's overall assessment of the utility of a product based on perceptions of what is received or what is given" (Zeithaml, 1988). As later described by Monroe (1990, p. 46) perceived value is "a tradeoff between quality or benefits they perceive in the product relative to the sacrifice they perceive by paying the price". While the definitions seem familiar, the second one has evolved and already includes the concepts of quality and benefits of the product. In this thesis we are going to use Kotler's definition of CPV as a major definition: "CPV is the difference between the prospective customer's evaluation of all the benefits and all the cost of an offering and the perceived alternatives" (Kotler P., 13th edition).

These classical approaches identifies CPV as a multidimensional construct made out of 2 parts, first one being benefits received and second one being sacrifices made (Boonlertvanich, 2011). Benefits received can be further divided to economic, social and relationship, sacrifices made are divided to price time, effort, risk and convenience (Luis J. Callarisa Fiol, 2009; Juan Carlos Fandos Roig, 2009; Mei-Lien Li, 2011). Considering this model to be functional there are two ways to maximize customers perceived value: first one is to increase what customer receives (i.e. quality, quantity, service), second one is to decrease what customer gives up (price, time spent on purchase or effort spent to purchase) (Mei-Lien Li, 2011).

Other model of Customer perceived value as a multidimensional construct has become more popular and gained ground in late 90'. Such a model views Customer perceived value as a construct made out of five components: functional, social, emotional, conditional and epistemic (Juan Carlos Fandos Roig, 2009). Later this model has been reduced to three components because of the dimensional differences between components. Three component model was successfully utilized in various researches (Juan Carlos Fandos Roig, 2009; Luis J. Callarisa Fiol, 2009). Those three components left are functional, social, emotional, although functional is further divided to price quality and versatility (Luis J. Callarisa Fiol, 2009). This is known as PERVAL model. Later on a new model has been developed specifically for tourism sector. A GLOVAL model has been created together with a six-dimensional CPV model that is made of emotional, social and functional that is being divided to four more dimensions: establishment (place where the contact with the client is being made), personnel (people that contact the client directly), service quality (measuring the quality of the service as a product) and price as a key monetary indicator if the functional view of the perceived value (Sanchez, 2006). This model will be utilized in this research because it has the

most relevant constructs for the industry of business supplies and souvenirs. As well as the technical similarity of tourism industry to business souvenirs industries, both of them being service industries.

Customer Loyalty is the second concept that will be utilized in this research. As indicated by Roig (2009) maintaining a loyal customer can be as much as 10 times cheaper than acquiring a new one, this way proving that making customers loyal is crucial to increase firms efficiency. For the purposes of clarification we will use the definition provided by Kotler "a deeply held commitment to rebuy or repatronize a preferred product or service in the future despite situational influences and marketing efforts having potential to cause switching behavior" (Kotler P., 13th edition). Having loyal customers is crucial for companies to increase their profits, such tendencies can be observed in loyal customers actions: repurchase intention (buying more or trying new products), word-of-mouth (recommending companies' products or services to other people), complaint behavior (improving company's services by giving them suggestions) (Mei-Lien Li, 2011). Same authors use this model to measure customer loyalty in their research utilizing 4 dimensions: repurchase intention, price insensitivity, word of mouth, complaint behavior. For the study of this thesis a part of this model will be used.

Another view on customer loyalty can be found in other researches. In addition to the dimension of repurchase behavior the "first-in-mind" dimension is added (Boonlertvanich, 2011) As described by the same author customer loyalty plays a major role in keeping the customers repurchasing from a single provider as well as creating switching barriers as the relationship between customer and service provider develops. As the research made by Boonlertvanich is also made in service industries, this proves to be relevant point in measuring customer loyalty. Considering those arguments first-in-mind dimension will be added to the research model of this thesis.

To summarize the loyalty model that will be used in the research of this thesis it is stated that loyalty as a construct consists of: Word-of-mouth, repurchase intention, complaint behavior, first-in-mind.

3.2. Previous researches and importance

Customer perceived value and loyalty are concepts heavily researched by foreign researchers, although there are few researches on these concepts in Lithuania. As creating loyal customers is becoming more and more important, it is very useful to identify the relations between CPV and loyalty in general and in depth. As these relations were already researched in other industries, such papers will be reviewed in the following part of this thesis.

Previous studies on Customer perceived value and client loyalty have produced some significant observations. As discovered by Boonlertvanich (2011) customer perceived value contributes to customer loyalty. Same study also mentions that there is a direct link between CPV and repurchase intentions. The study mentioned above was performed on banking industry, that is a service industry as well as business souvenirs industry studied in this paper, therefore similar links

between CPV and customer loyalty might be expected to be found in the research on Lithuanian business supplies and souvenirs market.

As identified in a study of Pakistanian telecommunications service industry customer perceived value (as well as service quality) has significant effect on customer loyalty this way proving that yet another service industry shows a positive influence of CPV to loyalty. While the research was limited to Pakistan we can expect that similar observations might be found in the study of Lithuanian business supplies and souvenirs market. (Ishaq, 2012).

Fiol (2009) performed a study that included measuring CPV effect on customer loyalty. Fiol's researched was performed in Spanish ceramic tile cluster and had a focus on client-customer relationships in a cluster. Their research showed that Customer Perceived Value and satisfaction have influence on customer loyalty. Furthermore, study showed that perceived value and its multidimensional model is crucial to maintaining long-term relationships in B2B markets.

A study in Spanish financial services market, performed by Roig (2009) has validated the use of GLOVAL model of CPV dimensions, furthermore, they have found a positive indirect (through satisfaction) effect of CPV components on customer loyalty. Researched proved a direct effect of functional service value (CPV) to satisfaction , and satisfactions effect to intentional loyalty. Thus proving that there is an indirect effect of functional service value to customer loyalty. Same research also proved the effect of Emotional value (CPV) to intentional loyalty. These results prove that CPV and loyalty are defiantly connected in the context of service industries. They also found out functional value of the installations has no influence on loyalty.

Concluding all the researches reviewed it is expected to find significant relations between CPV and loyalty as well as other relations of their antecedents. Identifying these relations will be crucial for creating recommendations for UAB "ADS Baltic" on how to increase customer loyalty.

4. EMPIRICAL RESEARCH

Today in the fast evolving services market it is important to create customer loyalty more than ever. In such a market where companies have no clear competitive advantage, creating and maintaining loyal customer base is crucial for survival and prosperity. Since various researches proved that retaining loyal customers can be more than 5 times cheaper than attracting new ones, many companies have worked hard to achieve client loyalty. In order to achieve a superior and well understood loyalty, one must identify the origins of the loyalty, Because of that a research that identifies the effect of Customer perceived Value on Customer Loyalty will be studied in this empirical research.

As already identified in the previous part these definitions of concepts will be used:

"**CPV** is the difference between the prospective customer's evaluation of all the benefits and all the cost of an offering and the perceived alternatives" (Kotler P., 13th edition).

Loyalty - "a deeply held commitment to rebuy or repatronize a preferred product or service in the future despite situational influences and marketing efforts having potential to cause switching behavior" (Kotler P., 13th edition)

4.1. Empirical research methods

4.1.1. Empirical research goal and objectives

Empirical research goal is to identify the effect of Customer Perceived Value (CPV) on Customer loyalty in Lithuanian B2B market.

Main Objectives of the research:

1. Assess the dimensions of CPV and Loyalty.
2. Test 4 hypothesis of the research and identify other relations between CPV and loyalty antecedents.
3. Provide research conclusions

4.1.2. Research model and hypothesis

For the purpose of this thesis a conceptual research model was composed to help prove the effect of CPV on Customer Loyalty. As Customer Perceived Value and Loyalty are complex components, a scientifically proven models of CPV and loyalty will be used to divide these concepts to smaller more technical components.

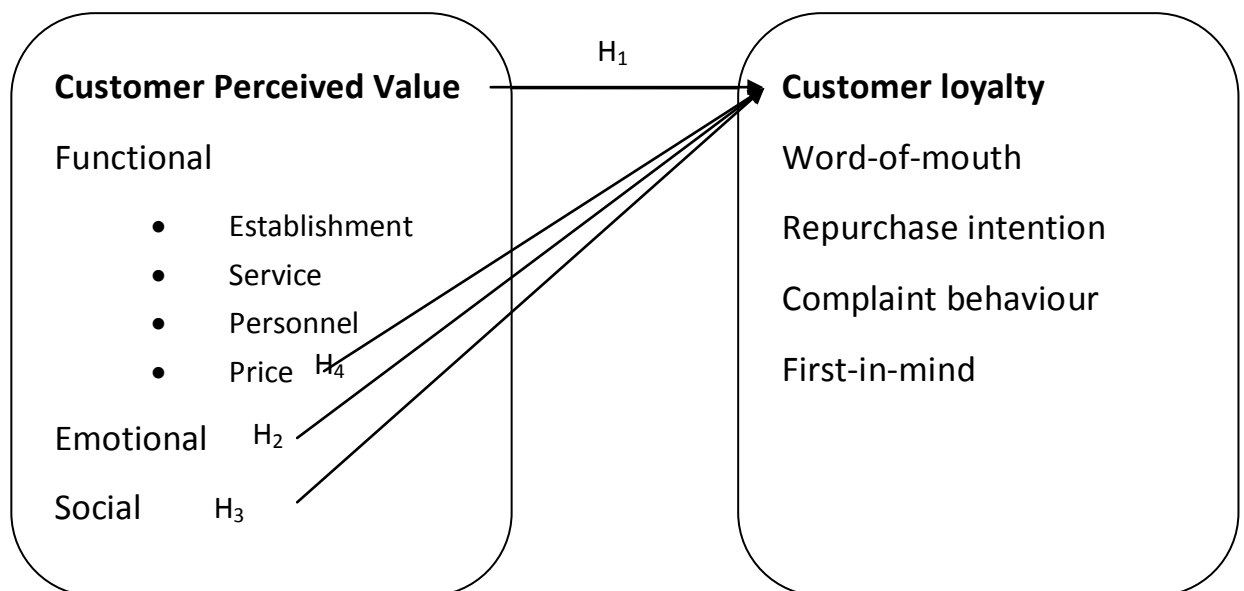
A model of Customer perceived value that will be used in the context of this research has been already used and proven to be valid. A GLOVAL model of CPV developed by Sanchez (2006) validated by Roig (2009), Boonlertvanich (2011) will be used in this researched since it was specifically designed for service industries, that business supplies and souvenirs industry is. GLOVAL model divides Customer perceived value to three main components: Functional ,

emotional and social. Functional is further divided to establishment, service, price, personnel this way covering every aspect of the service industry.

A detailed model of loyalty for this research was computed using two models of loyalty. A primary model of loyalty, used by Mei-Lien Li (2011) and Fiol (2009) consists of Word-of-mouth price insensitivity, repurchase intention and complaint behavior. In order for this model to be more relevant to the business supplies and souvenirs market a additional dimension of first-in-mind has been added. This dimension used by Boonlertvanich (2011) seems to be more relevant to the context of this thesis. Thus it will replace the price insensitivity in the final model of customer loyalty.

In general, this research will focus on Customer Perceived Value effect on customer loyalty. From here we have our research model that is provided in figure below (Figure x).

Figure 5. Research model



The main hypothesis of the thesis is formed as follows:

H₁: Customer perceived value has a positive effect on customer loyalty in Lithuanian business supplies and souvenirs market.

Another important aspect of the research was identified by the representatives of UAB "ADS Baltic" that was to identify the effect of emotional perceived value to customer loyalty. Experience of the company suggests that emotional bonds with clients increase customer loyalty, though there is no empirical evidence to support this statement, therefore the second hypothesis was formed:

H₂: Emotional element of Customer Perceived Value has a positive effect on Customer loyalty in business supplies and souvenirs market in Lithuania

In the modern business world social aspect of business-making is getting more and more important in the global markets, although this effect is yet to be felt in such small niche B2B

markets as business supplies and souvenirs market that relies heavily on personal communications. Based on market observations a third hypothesis was formed:

H₃: Social element of Customer Perceived Value has no significant effect on customer loyalty in business supplies and souvenirs market in Lithuania.

To create a better understanding of monetary components effect and identify the relation of price perception to customer loyalty a following hypothesis was formed:

H₄: Price perception has strong effect on customer loyalty in business supplies and souvenirs market in Lithuania

Various other relationships of CPV and loyalty components will be tested in order to find useful information and relationships and provide relative managerial suggestions to UAB "ADS Baltic". Proving H₄ would benefit the company and help it to adjust their efforts to the relevant fields in order to achieve better client loyalty this way increasing firms profitability in general.

4.1.3. Research methods

For the purpose of this research a quantitative research method was chosen to better understand the needs of Lithuanian companies. As an opposite to questioning current customers of the company the general population of all Lithuanian companies were chosen. The whole population was chosen because a majority of companies, including government-owned companies have some kind of marketing materials and that is exactly what companies in business supplies and souvenirs market provide.

4.1.4. Questionnaire

For these hypothesis to be tested a survey was performed. An online questionnaire that consisted of 29 questions that covered all of the CPV and loyalty dimensions. After the survey was formed, invitations to answer the survey were sent out to Lithuanian companies using a email database of Lithuanian businesses. A question that classifies companies according to their annual revenues was installed in the survey putting companies in to brackets by the annual revenues. Questions to measure Customer perceived value and customer loyalty were adapted from previous studies that were already validated by Sanchez (2006), Boonlertvanich (2011), Luis J. Callarisa Fiol (2009). Respondents of the questionnaire were required to provide answers indicating to what extent they agree or disagree to a certain statement by checking an item in a 5 point Likert scale. The possible selections varied from 1=Strongly disagree to 3 being a neutral position to 5=Strongly agree. A series of questions used a similar types of answers, 1=Totally unimportant, 3 being a neutral position and 5= Very important. Data acquired was exported from online survey site and processed with SPSS statistical data analysis tool.

Questions for the questionnaire of this research were found in other researches. The questions were assigned to variables (2-3 questions each). Questions and references can be found in appendixes (Appendix 1).

4.1.5. Sample size

The general population of all Lithuanian companies consist of 83.624 companies (Lietuvos Statistikos Departamentas, 2012), this is the population for this research. To identify the number of respondents needed for the research to be accurate this thesis refers to the charts recommended by Pukėnas (2009), choosing sampling error of 10%, since the number of respondents required with the sampling error of 5% is too big to be collected with the resources allocated to this research. As identified by the charts such a population need 96 respondents to be fully represented with the sampling error of 10%. 130 answers were collected, one was dismissed due to the half-filled questionnaire. The survey respondents were business representatives, their answers are considered to be the answers of their companies.

4.2. Empirical research results

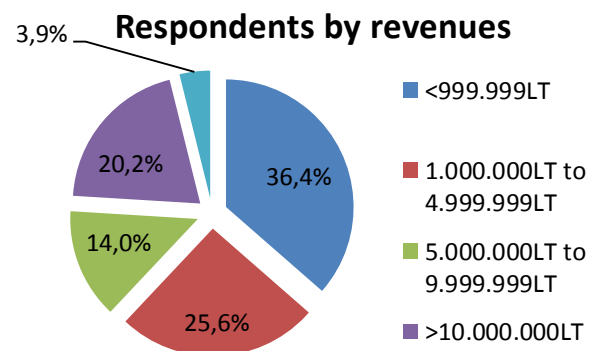
The data acquired was analyzed with the help of SPSS statistical software. In the following part of the thesis the results of the researched will be assessed and hypothesis will be tested.

4.2.1. Demographics and descriptive statistics

To complement the demographical part of the survey a question asked respondents to put their company in to a category by revenue. The distribution of companies by revenues were as follows:

Figure 6. Respondents

Category	Count	Percentage %
<999.999LT	47	36,4%
1.000.000LT to 4.999.999LT	33	25,6%
5.000.000LT to 9.999.999LT	18	14,0%
>10.000.000LT	26	20,2%
Did not answer the question	5	3,9%



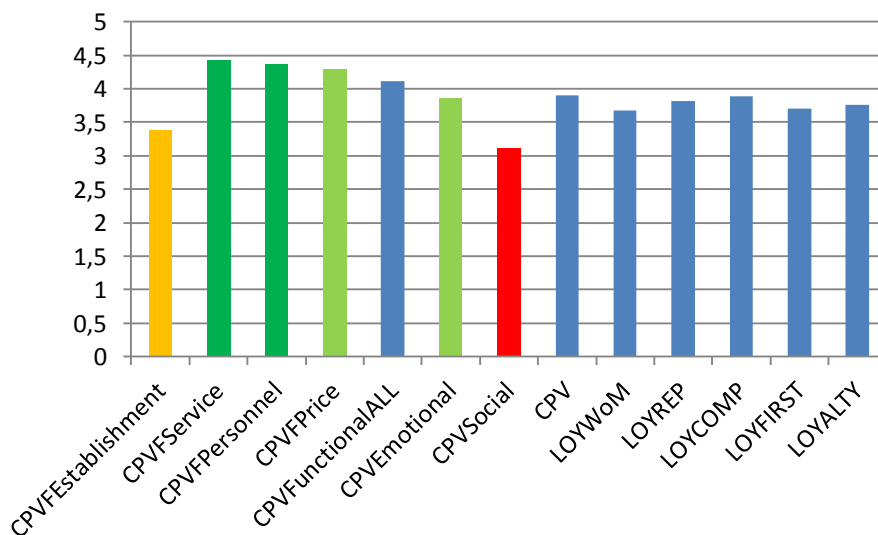
The option to not answer the revenue question was left in order to satisfy those companies' that do not prefer to disclose their revenue. while technically it makes no sense, in some companies, especially the smaller ones employees are superstitious and do not like providing financial data.

In the following chart (figure x) the means for the concepts are provided (one concept is made out of 2-3 answers in the questionnaire), CPV and loyalty are computed out of all their antecedents. It is evident that business representatives of Lithuania put less importance (3.38 average) on the establishment than to other components of CPV. In addition, the importance of social aspects and social image of the company are of the lowest importance of all in this research (3.11 average). These numbers allow to state that social factors of perceived value are the least important for the customer and therefore are not worthy of investment.

Perceived price (4.29 average) and perceived emotional value (3.86 average) are important for the Lithuanian business consumer. Furthermore, the perceived value of the service itself (4.42

average) is the most important factor for the consumer identified by the research. Followed by the value of the personnel (4.37 average), these two were identified mostly as important or very important by the respondents, thus proving that these aspects should be considered when making recommendations and improving the perceived value created for the customers.

Figure 7. Means



The answers provided by the respondents helped to understand their needs more deeply and create a general understanding of the customer needs. To further investigate these needs and identify the relations between CPV and loyalty hypothesis will be tested.

4.2.2. Hypothesis testing

Constructs were combined by averaging the score they scored in the questionnaire. For further analysis a linear regression analysis was performed on the created constructs to identify their relations based on research by Boonlertvanich (2011). To identify correlations a Pearson correlation method was used as suggested by Pukėnas (2009). In the following chart (Table x) Pearson's correlations are provided. The effects of various CPV elements on customer loyalty as well as CPV component internal correlations can be seen. For the convenience of use the duplicating parts of the chart were removed. Pearson correlation coefficients were colored according to Udovičić (2007) correlation coefficients between 0.25 to 0.5 will be identified as poor correlation, 0.5-0.75 as moderate to good correlation and 0.75-1 will point out very good to excellent correlation. The red square notes that the effect of CPV Functional price on CPV Social is statistically insignificant (sig.>0.05). Other significance levels are not mentioned as all of them are below 0.05, thus proving that all other relations are statistically significant.

It is worthy to mention that all of the Customer Perceived Value functional elements are positively correlated to the CPV Functional ALL (0.718, 0.835, 0.880, 0.809) thus proving that these elements are strongly internally related and strengthening the GLOVAL model reliability (see table x). Although as can be seen in the table there is no significant correlation between CPVF Establishment and CPVF service and CPVF Price, considering the specifics of the industry this

explains that the importance of the physical establishments of the company might be viewed differently by clients and proves that if the client likes the premises of the company it is not guaranteed that he will enjoy the service (0.371) or he will be more pleased with the price (0.309) Considering the intervals provided by Udovičić (2007) we state that these constructs are poorly correlated.

The following correlations allows us to determine the effect of Customer price perception (CPV Functional - Price) on customer loyalty (LOYALTY ALL). As numbers show the 0.303 (sig. = 0.000) indicates that there is poor correlation between these two constructs thus rejecting the H4. The effect of price perception is evidently insignificant to the loyalty of the customer proving that price is not the key factor determining client loyalty in the Lithuanian business supplies and souvenirs market. This finding will allow company to save some resources by avoiding extended expenses in decreasing the price of the service that is clearly not the most influential factor determining customers loyalty.

Table 9. Correlations.

		Correlations								
		LOYALTY OVERALL	CPV Functional - Establishment	CPV Functional - Service	CPV Functional - Personnel	CPV Functional - Price	CPV Functional ALL	CPV Emotional	CPV Social	CPV GENERAL
Pearson Correlation	LOYALTY ALL	1,000	0,435	0,313	0,349	0,303	0,446	0,542	0,344	0,552
	CPV Funct. - Establishment	0,435	1,000	0,371	0,458	0,309	0,718	0,323	0,497	0,736
	CPV Functional - Service	0,313	0,371	1,000	0,743	0,711	0,835	0,345	0,194	0,732
	CPV Functional - Personnel	0,349	0,458	0,743	1,000	0,701	0,880	0,353	0,159	0,755
	CPV Functional - Price	0,303	0,309	0,711	0,701	1,000	0,809	0,307	0,063	0,665
	CPV Functional ALL	0,446	0,718	0,835	0,880	0,809	1,000	0,412	0,312	0,901
	CPV Emotional	0,542	0,323	0,345	0,353	0,307	0,412	1,000	0,494	0,687
	CPV Social	0,344	0,497	0,194	0,159	0,063	0,312	0,494	1,000	0,645
	CPV GENERAL	0,552	0,736	0,732	0,755	0,665	0,901	0,687	0,645	1,000

It is evident that the Social element of the CPV Functional construct has no correlation with other elements of CPV (CPV Functional - Service 0.194, CPV Functional Personnel 0.159, CPV Functional Price - no correlation at all (sig.=0.240 >0.05), poorly correlates to the whole construct of CPV Functional (0.312). Generalizing the numbers it is clear that Social perceptions of the customer are not or very poorly related to other dimensions of Customer perceived value. Furthermore, the effect of perceived social value on customer loyalty is poor (0.344) accepting the H₃ and stating that the social element of customer perceived value has no significant effect on customer loyalty. It is also worthy to mention that customer perceived social value has no significant effect on repurchase intention (Beta=0.319), word-of-mouth (Beta=0.367), complaint behavior (Beta=0.283), first-in-mind (Beta=0.296) this way solidifying the absence of social factors effect on loyalty.

Further researching the effects of CPV dimensions on Loyalty dimensions another positive effect is found. As identified by a linear regression analysis CPV Emotional has a moderate-to-high effect on Repurchase intention of the customer (Beta=0.567), also a moderate effect on Word-of-mouth dimension of customer loyalty (Beta=0.497), complaint behavior (Beta=0.502), First-in-mind (Beta=0.438). The overall effect of Customer perceived emotional value has a moderate effect (0.542) on Customer Loyalty. Concluding this data we state that customer perceived social value has a significant positive effect on customer loyalty thus confirming the H₂.

The results of analysis performed on constructs identifies that Customer perceived value , as a construct of all its components has a moderate effect (0.552) on customer loyalty this way accepting our main hypothesis H₁, proving that this effect exists in Lithuanian business supplies and souvenirs market. This relation will be a basis for the further theoretical research to help UAB "ADS Baltic" improve their customer loyalty through the various elements of customer perceived value.

The research has identified that price and social value has very small effect on customer loyalty, however emotional value has a significant effect on customer loyalty, as well as CPV in general has a positive effect on customer loyalty. Based on these results the recommendations for UAB "ADS Baltic" will be provided.

5. RECOMENDATIONS

In the last part of the thesis managerial recommendations for UAB "ADS Baltic" will be provided. Solutions with detailed implementation plans will be suggested based on the internal company's analysis, external business supplies and souvenirs market analysis, empirical researches performed in this thesis as well as previous researches in the field combined with managerial and marketing theories, and applied solutions described in various articles, books and researches. As described before, the main problem of this thesis is how to increase loyalty of UAB "ADS Baltic" clients. After a theoretical and empirical researches we identified that loyalty can be enhanced through Customer Perceived Value. As empirical research suggests increasing CPV would benefit the company by increasing its client loyalty. With the help of empirical research such factors were identified:

- The effect of perceived price on customer loyalty is insignificant
- The effect of perceived social value on customer loyalty is insignificant
- The effect of perceived emotional value on customer loyalty is significant.
- The effect of customer perceived value on customer loyalty is significant.
- The effect of perceived functional value on loyalty is evident.

As research suggest, all of the recommendations will be made towards increasing customer perceived value and customer loyalty. Two core areas to increase will be customer perceived emotional value and customer perceived functional value as these areas will benefit customer loyalty the most.

In this thesis the marketing focus leans from traditional marketing to relationship marketing. In contrast to traditional marketing that is seen by marketers as a battle between companies, their rivals and customers, with someone winning the "contest". Relationship marketing is more about building value based relationships and marketing networks (Grönroos, 1994). As the traditional win-lose marketing was fading away, relation marketing suggested creating new, long lasting relationships based on creating win-win situations where both buyer and seller gain value in the transaction by fulfilling promises made. (Egan, 2011). As Grönroos (1994) identifies, the objectives of Relationship Marketing are:

"identify and establish, maintain and enhance and, when necessary, terminate relationships with customers and other stakeholders, at a profit so that the objectives of all parties involved are met; and this is done by mutual exchange and fulfillment of promises"

This concept of creating valuable and long lasting relationships will be a model for the recommendations to follow as it is clearly the most effective way to achieve sustainable client loyalty that would benefit both, company itself and the clients. For the purpose of clarity all the recommendations will be suggested in a sequential manner following the conceptual model of the research. Firstly, suggestions that increase the functional value for the customer, that are related to establishment, service, personnel and price will be provided, secondly, solutions that greatly increase emotional value for the customer will be presented, and lastly other direct solutions for the enhancement of customer loyalty will be shown.

5.1. Establishment

In contrast to UAB "ADS Baltic" employees opinions, the research clearly revealed that customers pay more attention to the looks of the company's premises than it was expected. After the initial interview with the director of the company, where A. Kaziukonis clearly stated that customers "couldn't care less" about the premises it was fascinating to see that the facts are quite different. The survey showed that there actually is a noticeable (although not strong) correlation between the way customers perceive the premises of the company and their loyalty. These findings lets us draw conclusion that the looks (and feels) of the office of the company does effect customers views towards the company, thus making the office a place to improve the value given to the customer.

The current situation in UAB "ADS Baltic" office is that it currently is both, an office and a warehouse all in one place. While splitting the two and moving the office out to some other place might seem like a promising idea, after some minor evaluation of costs it is evident that this option is not possible. As Haynes (2007) identified in his article, the more efficient and modern way for today's office planning is using "enabling paradigm" (in contrast to "control paradigm" that focuses on office space control and reduction). Based on his research it would be excellent to give the employees in the office more space to work in as well as more space to display sample products that clients could see. On the other hand there is a warehouse part of the office that take approximately 50% of the current office space. By reducing the current warehousing space not only UAB "ADS Baltic" could increase office space for the employees, thus increasing their productivity. After a closer examination it was identified that separating the warehouse part from the office and organizing it in order (for ex. alphabetical by item name) would benefit the company significantly. Moving the warehoused goods in to a closed compartment that would be initialized in the office would reduce the space occupied by merchandise that is pending to be sent out or is some kind of leftovers prom previous orders. Such reduction might save up to a total of 20% of office space, and more importantly, hide the fact that the office is also a ware house from the customer. This way satisfying the identified customers need for more tidy and clean looking office. Although this is not a major improvement it is quite cost effective and would benefit the company in few ways as explained before.

5.2. Service

As identified by Grönroos (1994) service industries take a step forward and move from traditional marketing mix matrix to relationship model. This shift requires a major change in attitude that results in treating every transaction as a component of continuous relationship (Baron et al, 2010). As both of these authors explain it its crucial to treat every transaction with the customer as an part of a bigger deal. Defining this concept in the applicable way in business supplies and souvenirs market would translate to few key things. Firstly, The sales force of the company should treat every transaction that is big or small, hard or easy with great caution and care. Every client feels the time and effort spent on performing the order and delivering the goods, thus forming an overall image on the company. This way satisfying the customer needs company slowly

but surely increase clients loyalty and score some points in loyalty antecedents such as Word-of-mouth, thus gaining important referrals, repurchase intention - acquiring more and "cheaper" sales.

It is common to believe that every client is an individual with its needs and wants. Although as pointed out by Steve Baron (2010) a client is not an individual, it is a network of complex physical, cultural and social relationships. Such relationships might be further subdivided to demographic groups, consumer communities and commercial relationship groups. All this combined and put in to a business context might result in more sales for the company through word of mouth marketing. In order to experience the positive effect of consumer networks UAB "ADS Baltic" has to further improve the quality of their service. According to Chowdhary (2007) service providers must position themselves according to the industry specifics, in the case of business supplies and souvenirs market, the core qualities that customers look for in the services provided are: delivery time, product quality, sample delivery time.

Firstly, the issue of delivery time will be addressed. As delivery time as a whole consists of 2 parts: part 1 is delivery time that foreign suppliers take to deliver goods after they have been ordered. This part is already optimized by the suppliers and there is not much that a small company like UAB "ADS Baltic" can do. Part 2 is time that UAB "ADS Baltic" takes to process the order. After further discussion with the company's director a few time wastage spots were identified: order designing and approval process, that consumes time since it usually takes few "rounds" of designing and presenting to client to be approved. Secondly - order processing to the manufacturers in China/Europe, this process usually takes place the next day after the layout is approved. There is no specific and valid reason why this process is not done immediately after approval. To increase the speed of the overall processing action these measures should be taken:

- Provide client with few design layouts at a time so he would be more likely to approve the design from the first "round".
- Process the orders immediately after they are approved by the client.

While the second solution might take some additional half an hour of over-time from the employees, this should generally not be a problem, since there are not that many orders in total.

Secondly, the issue of product quality will be addressed. As suggested by Sebastianelli (2002) companies in the service industry are mostly likely to use "user-based approach" to quality. This approach states that service is as good as customer evaluates it, in contrast to being good because its delivered perfectly by company's standards. Following this concept a suggestion for the company is to implement a "total satisfaction policy" this way improving the overall value of the service package. Since 90% of the time the goods delivered to the customer by UAB "ADS Baltic" are good or excellent (company's internal data), it would not cause significant costs to execute such plan. In addition, the damaged or unsatisfactory goods are usually remade and reshipped by manufacturers, thus company itself do not lose money, just time.

The third component of service quality discussed in this part is sample delivery. A production sample (a single item that helps the customer see how the finished good look like) is a standard for the industry. Samples are provided free of charge for the clients that show interest in the services of the company. The core influential factor that determines the service quality when

talking about samples is delivery time. It usually takes 7 to 10 days for the sample to be delivered to the customer. UAB "ADS Baltic" orders samples the next day the layouts are approved, and delivers them to Lithuania via standard international air mail. Since the cost of the sample usually accounts only up to 3% of the total size of the future order, it would be a reasonable investment to proceed sample delivery time through using express air delivery (offered by such delivery companies like TNT, UPS, etc.). While increasing sample cost by up to 50%, such method would cut the delivery time from 7-10 days to 3-6 days. Such a cut in time would be a clear competitive advantage and in addition to that would win clients that simultaneously order samples in few companies, because while competitors sample is in the way, UAB "ADS Baltic" sample would already be in customers hands, and the sales representative would be ready to complete the final order.

Utilizing these few improvements would increase the service quality, thus slightly benefiting the client loyalty. While no one improvement would result in a significant change, all these combined would generate a clearly visible effect in the satisfaction and loyalty of the clients.

5.3. Personnel

Since the sales personnel in UAB "ADS Baltic" is already performing good and producing astonishing results (compared to the industry standards), improving them in any way would be beneficial, although is not required. On the other hand it would be significantly beneficial to hire an additional sales force and install the sales knowledge and skills that are mastered by current salespeople of the company. As new sales representative is hired it is recommended to perform a spaced training program that would result in significantly better results. A spaced training program is one where training material is divided into portions and delivered in several separate trainings with practical work in between. Such trainings have proven to be more effective in the field of sales personnel training (Kauffeld, 2010). For further clarification of the sales process the recommendations divide in to two types of training. Firstly, Role play training, where new trainee is role-playing out the potential sales scenarios with the current sales representative of the company, secondly case studies, and analysis of previous sales made by current salespeople. These two are the most effective methods of sales training (Shepherd, 1996). Successfully training one (or more) sales representatives could lead to utilizing import potential more fully and provide company with more loyal clients. Additional personnel improvements related to emotional aspect will be discussed later in this thesis.

5.4. Price

As the empirical research showed, price has no significant effect on customer loyalty thus this aspect of customer perceived value will be the least discussed in the thesis. As price adjustments are the most costly for the company to make and they do not produce significant results, it is not recommend to make any price cuts whatsoever. In contrast, we recommend keeping prices constant, at a competitive level, although not engaging in to a price war. It is recommended to work on customer loyalty by creating superior value via other methods. This way UAB "ADS Baltic" can avoid experiencing unnecessary expenditures related to price deduction and maintain its

high profitability. As revealed by Mark F. Toncar (2010) research there is no significant relation between price cuts and customer quality evaluations, this way proving that the change in customer perceived quality would be insignificant. Concluding it all there is no particular need to change prices to increase customer loyalty because of the costs-effect ratio of this tradeoff is too unfavorable to the company.

5.5. Emotional

As previously proven with the empirical research emotional value is the most influential factor when creating customer loyalty, therefore it will be employed the most in the recommendation parts. Emotional value is a wide concept and recommendations towards creating it will be divided into few sections. Firstly, the aspect of creating loyalty through establishing emotional link between customer and company will be addressed. Secondly, the recommendations will cover the part of understanding client needs better trough identifying their true emotions and easing up the sales process. Lastly, the process of building trust and commitment will be addressed and measure to increase relationship strength will be presented.

To create a better understanding of the importance of the emotion it is worthy to mention that Human brain basically composed out of 3 parts: original brain, limbic system, and neocortex. These 3 parts stand for Visual, emotional and rational decision making (Hill, 2010). And when it comes to decision making "emotion drives reason more than reason drives emotion", thus focusing on emotions in everyday business transactions seem to be beneficial for the company.

To begin with we will focus on the emotional well-being of the customer, more specifically the positive feeling that should be generated when contacting the sales staff. The goal that is meant to be achieved with these recommendations is to make the client feel good, relaxed and at ease during the process of dealing with company's representatives. As tool to increase customer emotional satisfaction it is useful to keep customer service levels high and it should be determined by researching customers' needs and competitors performance (Egan, 2011). This model presented by Egan links customer service to quality of service to marketing activities. This ring of interrelated activities provides us the key actions needed to achieve emotional satisfaction with the services provided.

To apply the discussed model in practice it is recommended to constantly monitor customer satisfaction and be sure to identify the needs of different market segments. Such a monitoring could be done by asking every customer to fill a short (1 page) questionnaire about the services acquired and asking them to identify the problems faced or the positive things noticed. Carefully analyzing this data would lead in to further improving the service quality by adding the elements that are demanded/needed by customers and removing the service elements that are thought to be important although not valued by the customers (Egan, 2011). To finish up the chain these service improvements should be channeled to customers via marketing instruments that are used by the company. At this day these are direct advertising during sales. Successfully implementing such measures will lead to easier sales and more importantly, more relaxed more pleasant communication process that will increase client loyalty through creating additional emotional value.

To further increase the emotional bonds with the customers it is recommended for the company to use business gifts. Gifts tend to strengthen emotional bonds between 2 individuals (Andrew G. Parsons, 2011). As indicated by Parsons, the stronger the emotional bond between persons, the more functional the gift is expected to be. A gift presented in a right moment can be an indication for the client that he is important and the relationship is meaningful for the company (Fan, 2006). Fan indicates that corporate gifts can be perfect for reminding the customer about the company is sales representative long after the verbal interaction or the business transaction has been completed. It might as well be a mean of advertising and it might supplement other forms of traditional marketing. When it comes to corporate gifts it is important that UAB "ADS Baltic" clearly knows what it wants to achieve with the gifts presented and that is creating brand awareness, expressing appreciation (Fan, 2006) and most importantly creating loyalty. From here it is clear that the corporate gifts that will be given out to important clients will have to be "ADS Baltic" branded. to achieve the maximum "view time" it should be an office gift, preferably, something used in everyday office. Such gifts could be: wall clocks, table decoration statues, etc.. Cheaper options for smaller clients might include mugs, business card holders, mouse mats. It is preferable that gifts would be as practical as possible and handy/beautiful enough to be held in office on tables or walls, so they could perform their marketing function and catch the eye of business partners of the client. To achieve maximum gift efficiency it is recommended to brand gifts with small logos (in contrast to big logos and heavy advertisement) so the gifts would be treated as gifts instead of being discarded as advertising materials. The general purpose of these gift is to increase clients awareness of UAB "ADS Baltic" and increase the chances that next time when the client is in need of business supplies and souvenirs he will go to UAB "ADS Baltic" immediately skipping the competition (what can be called loyalty). As for the cost of these gifts it is very beneficial for the company since the company itself is an importer of gifts and advertising materials, so not only these gifts can be acquired at lower rates than a regular company would get them, but it can also be assigned to business expenses in the accounting thus decreasing the costs of these goods even more. Company should consider the fact that not all of the customers of the company should be presented with gifts as not all of them are worthy. All though most of the customers that have shown a potential to have more (and preferably bigger) orders in the future should be considered. It is important that corporate gifts would be as personal as possible and custom made for each customer this way ensuring they achieve maximum efficiency to customer loyalty. In contrast to giving corporate gifts to every potential customer it is recommended to only gift customers that have previously made orders and purchased services of UAB "ADS Baltic" since these gifts are a tool to increase client loyalty primarily, not attract new sales.

While service quality is a highly variable concept (Gummesson, 1991) and might vary situation to situation it is clear that in the case of UAB "ADS Baltic" and business supplies and souvenirs market it would be beneficial to offer clients additional services that would help them "feel the care" of their supplier, thus enhancing their emotional value even more. Such services should benefit the customers cause, that is marketing (most of the customers purchase customized souvenirs and supplies through UAB "ADS Baltic" services to satisfy some kind of marketing or promotional goals). One of the ways to increase customer service quality is to surprise them with over-delivery and exceed their expectations (Kotler P., 13th edition). Applying this concept to

business case of UAB "ADS Baltic" recommendations split in to two major suggestions. Number one is Providing clients with new, alternative and innovative business souvenirs and supplies ideas that would benefit their marketing goals. As an industry experts, UAB "ADS Baltic" employees have deeper and more advanced understanding of business gifts and souvenirs and are first one to get to know the innovations in the industry. Putting a constant effort on tracking industry's news and constantly researching new innovative products, company's sales representatives will be able to provide clients with new ideas that would lead to more repetitive sales from current customers. These offers should be constructed and prompted to customers without their demand, free of charge. Not to be confused with random product offerings via e-mail, the solution suggests preparing meaningful and carefully thought out offers that are presented to important clients in person. In addition, these offers should not be irritative and should be presented twice a year to each client (if possible). The time frames provided are experimental and might change in the process of application. As a testing device for this service adjustment, a questionnaire should be filled by clients that have used these "extra-offers" to identify the relevant and unnecessary parts of these measures. Data collected should be used to improve the offers in the future and help to increase the value of this method. This method may not effect in instantaneous sales, although they should increase clients awareness of industry's innovations, and ensure the next clients order is made through UAB "ADS Baltic". Additionally, this "customer care" offer would increase emotional value for the customer and make them feel more appreciated, this way ensuring they remain loyal to their supplier.

Another measure to ensure that the company delivers superior emotional value for the customer is to train sales personnel to always follow up a sale, because loyalty is based on attending to the emotional aspects of the relationship (Hill, 2010), and follow up generates a significant amount of "good feeling" in the customers mind. In his study Dan Hill found that a majority of sales people lose interest in the sale instantly after the sale was made, this way decreasing the emotional value that client gets. Not only this loose of interest can be seen by the client but it also decreases the potential repurchase intentions. As a solution for this unfortunate sales representatives mindset Hill suggests adjusting the sales force incentives to support the sale follow-up and customer care, as well as reward the sales representative more for a repeated purchase than for a first-time purchase. A similar incentive scheme is suggested to be implemented to UAB "ADS Baltic". Introducing this payout model that increases the payouts as the client becomes loyal would together motivate sales representative to care more for the current customers, and implement other suggestions recommended by this thesis. These ensures combined would result in additional emotional value for each client and create more client loyalty.

Together with the formed emotional bonds with the customer, employees of UAB "ADS Baltic" need to work on another important area that is trust and commitment. Trust can benefit companies in many ways, the more relevant of them are: reducing harmful conflicts, reduce transactional costs, promote network relationships (Egan, 2011). As antecedents of trust honesty, reputation, fair-mindedness, and reliability can be found. Constantly working on these areas will result in greatly increased trust and together increased emotional value and loyalty. Since trust is built through experience, company must make effort to acquire as much positive experiences with

the client as possible, thus building trust and commitment (Egan, 2011). Egan also indicates that commitment forms when a certain level of trust is achieved. To achieve more client trust UAB "ADS Baltic" should make sure every client is treated with exceptional care. To ensure that and avoid human mistake it is recommended to form a micro-CRM. For such a small company a real CRM would be too expensive, but in the age of internet services, cheap/free CRM options are available. With the help of CRM company's sales representatives can make sure that every client is treated fairly and none of the important and loyalty building steps are forgotten. Such a CRM base should be implemented only to track actions taken to serve and satisfy each customer, since CRMs tend to overload employees with additional work that, not necessarily, is effective. The creation of CRM database should help UAB "ADS Baltic" to please customers with exceptional care and increase the emotional value created by the company. An example of such activities would be tracking important dates (birthdays/anniversaries), ensuring that the after-sale support is given, tracking the "extra-offers" and making sure that these offers are set for presentation when the client is likely to order. Additional features that could be utilized with the help of CRM programs are welcome to be used, although not discussed or recommended by this thesis. In general, using CRM to enhance supplier-customer relationship is recommended as it will increase the clients perception of emotional and service value, thus enhancing the loyalty to the company.

In general many of the suggestions offered in this thesis are not emotional only, or service only and cover few areas of improvement, therefore it is important that these measures are taken and implemented in to the activities of UAB "ADS Baltic". Many of the suggestions provided are cheap and cost-efficient, what is very important for such a small enterprise. The recommendations provided in the thesis should be able to significantly boost client UAB "ADS Baltic" client loyalty by increasing customer perceived functional, and emotional values, as well as through other areas that were not discussed in this thesis (satisfaction, brand awareness, etc). The measures suggested should be implemented and more importantly measured with care, improving them to perform even better in a real-life business situations. The recommendations provided are specific to the industry and may not work in different industries.

Concluding the recommendations, measures that were offered to increase client loyalty are:

- Increase office representativeness by creating more space
- Cut delivery time by optimizing sales and order procedures
- Implement "total satisfaction policy"
- Cut sample delivery time by using express delivery
- Hire and train new sales representative using spaced training program
- Do not cut price and engage in price wars
- Enhance customer value by asking them for feedback and implementing their suggestions
- Use personalized business gifts
- Provide marketing suggestions for customers
- Sales personnel should use sales follow-up
- Use micro-CRM to increase customer trust and create emotional value

Successfully implementing these recommendations should result in a significant increase in customer loyalty. To track the effect of recommendations it is suggested to measure customer loyalty on a constant basis.

CONCLUSIONS

After performing internal analysis of UAB "ADS Baltic" and external analysis of Lithuanian business supplies and souvenirs market such conclusions were made:

- UAB "ADS Baltic" is a well functioning company that has a huge import capacity, excellent sales representatives and good service quality.
- Competitors in the market have no clear competitive advantage.
- Business supplies and souvenirs market is significantly affected only by economical factors, has declined during crisis and is growing again.
- There is no clear strategy when talking about customer loyalty, and loyalty is generally overlooked in UAB "ADS Baltic".

After theoretical research in this thesis such conclusions were made:

- CPV and Loyalty definitions were identified.
- A GLOVAL model of CPV was selected for the use in this thesis.
- Other researchers identified the relations between CPV and loyalty.

An empirical research to identify the relations between CPV and Loyalty was conducted and such conclusions can be made:

- A concept model of the research was created based on previous researches.
- A questionnaire was conducted and 129 results were.
- Answers were refined to constructs and results were measured using SPSS.
- Customer perceives service, personnel price and emotional value is important to the Lithuanian business supplies and souvenirs consumers
- Perceived establishment and social values are less important for the consumers.
- It was proven that CPV has a significant effect on Loyalty, perceived emotional value has a significant effect on customer loyalty, perceived social value has little effect on Loyalty and price perception has little effect on customer loyalty.

Based on the empirical research and managerial theories such recommendations were made:

- Increase office representativeness by creating more space
- Cut delivery time by optimizing sales and order procedures
- Implement "total satisfaction policy"
- Cut sample delivery time by using express delivery
- Hire and train new sales representative using spaced training program
- Do not cut price and engage in price wars
- Enhance customer value by using their feedback to improve services.
- Use personalized business gifts
- Provide marketing suggestions for customers
- Sales personnel should use sales follow-up
- Use micro-CRM to increase customer trust and create emotional value

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APPENDICES

List of appendices

Appendix 1. Concept-question-reference chart.

Appendix 1. Concept-question-reference chart.

Concept		Question	Reference	
CPV	Functional	Establishment	CVP-F-ES1 It seems tidy and well organized.	Roig J.F.C. et al, 2006, Boonlertvanich K., 2011
			CVP-F-ES2 It is easy to find and accessible.	Roig J.F.C. et al, 2006, Boonlertvanich K., 2011
			CVP-F-ES3 The installations look impressive.	Fiol, L.J.C. et al 2009, Boonlertvanich K., 2011
		Service	CVP-F-SE2 The level of quality is acceptable in comparison with other entities.	Roig J.F.C. et al, 2006, Boonlertvanich K., 2011
			CVP-F-SE3 The results of the service received were as expected.	Roig J.F.C. et al, 2006, Boonlertvanich K., 2011
			CVP-F-SE4 The quality has been maintained all of the time.	Roig J.F.C. et al, 2006, Boonlertvanich K., 2011
		Price	CVP-F-PR1 The service is good for the expense it causes me.	Roig J.F.C. et al, 2006, Fiol, L.J.C. et al 2009, Boonlertvanich K., 2011
			CVP-F-PR2 The price I pay is justified.	Roig J.F.C. et al, 2006, Boonlertvanich K., 2011
			CVP-F-PR3 The total cost that it causes me is reasonable.	Roig J.F.C. et al, 2006, Boonlertvanich K., 2011
	Personnel	CVP-F-PE1 The personnel know their job well.	Roig J.F.C. et al, 2006, Boonlertvanich K., 2011	
		CVP-F-PE2 The information provided by the personnel has always been very valuable to me.	Roig J.F.C. et al, 2006, Boonlertvanich K., 2011	
		CVP-F-PE3 In general, the employees of the company are competent and professional.	Fiol, L.J.C. et al 2009, Boonlertvanich K., 2011	
	Emotional	CVP-E1 I am happy with the services acquired.	Roig J.F.C. et al, 2006, Boonlertvanich K., 2011	
		CVP-E2 I feel relaxed during the time of service.	Roig J.F.C. et al, 2006, Boonlertvanich K., 2011	
		CVP-E3 Relationships and dealings with our main supplier's employees are pleasant.	Boonlertvanich K., 2011	
	Social	CVP-S2 The fact that I use this company's service looks good to the people I know.	Boonlertvanich K., 2011	
		CVP-S10 The reason I use this company's service is that other person I knew feel that this is a good company.	Boonlertvanich K., 2011	
		CVP-S11 Most people I knew uses services of this company.	Boonlertvanich K., 2011	
Loyalty	Word-of-mouth	LOY-WOM1 If I am asked, I recommend this company to others.	Fiol, L.J.C. et al 2009, Ishaq M., 2012	
		LOY-WOM2 I tell others good things about this company.	Boonlertvanich K., 2011, Ishaq M., 2012	
		LOY-WOM4 I have said positive things about the company to other colleagues.	Ishaq M., 2012	
	Repurchase intention	LOY-RI1 Our intention is to continue the relationship with our supplier in the long term.	Fiol, L.J.C. et al 2009	
		LOY-RI2 Will come back for the service of this firm the next time I need it.	Boonlertvanich K., 2011	
		LOY-RI4 I am willing to use this companies service in the future.	Boonlertvanich K., 2011	
	Complaint behavior	LOY-CO1 In general I have no complaints.	Ishaq M., 2012	
		LOY-CO3 Company's ability to react to my complaints is an important factor for my loyalty.	Ishaq M., 2012	
	First-in-mind	LOY-FIM1 When I need my enterprise souvenirs done , I choose this firm.	Boonlertvanich K., 2011, Ishaq M., 2012	
		LOY-FIM2 When talking about making business souvenirs, I think of this company first.	Boonlertvanich K., 2011	

