

Turība University

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**Introduction and use of system for managing customer relationships
in Baltic retail enterprises**

**Synopsis of the Doctoral thesis for a Doctor's degree in Management science,
sub branch - Business administration**

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The doctoral thesis and its synopsis are available for review at the library of Turība University, Graudu street 68, Riga.

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Annotation

The theme of the Doctoral Thesis of Iveta Liniņa is “**Introduction and Use of System for Managing Customer Relationships in Baltic Retail Enterprises**” for the acquisition of the doctoral degree in the Business Management sub-discipline of the Management Science. The **aim** of the doctoral thesis – by exploring the theoretical aspects of the relationships with consumers and by analysis of their application in the Baltic States, as well as on the basis on the results of the empiric research, to develop a model for the consumer relationship management system and the methodology for its introduction and application in retail companies in the Baltic States.

The Thesis consists of the introduction, 4 Chapters, conclusions and recommendations.

Chapter 1 of the Thesis analyses the theoretical aspects of consumer satisfaction, loyalty and consumer relationship development and particularities in the retail sector.

Chapter 2 of the Thesis characterizes the retail sector in the Baltic States from the consumer need satisfaction perspective – in macroeconomic, microeconomic and business management aspects.

Chapter 3 of the Thesis consolidates, analyses and interprets the empirical research on the application of the consumer relationship management systems in the retail sector – the expert survey, consumer survey and the focus group discussions.

Chapter 4 of the Thesis, taking into account the findings gained in the previous chapters, depicts the model of the consumer relationship management system and the methodology for its practical implementation in the retail companies.

To ensure successful operation of consumer relationship management system in retail companies, the author has put forward recommendations that are divided into 5 parts: to state institutions, trade associations and other trade-related organizations, retail companies, research institutions and higher education establishments.

The Doctoral Thesis consists of 228 pages and includes 81 illustrations and 43 tables. The list of literature contains 221 sources. The Thesis includes 5 appendices.

Keywords: consumer relationships, consumer satisfaction, loyalty, consumer relationship management, effective reaction to consumer needs, marketing database, retail, product group management, communication.

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Introduction

Private consumption is one of the cornerstones for economic growth and therefore retail trade can be considered as an indicator of national economic growth. After regaining independence retail trade in Latvia and in the Baltics developed with changing consequences. It was for several years one of the largest contributors to gross domestic product. In many ways this was related to the tendency of the state to organise this sector. Retail trade shifted from market squares, sports hall and stalls to shops and supermarkets. Retailers' associations and unions were created in the Baltic States and normative enactments regulating the sector were adopted as well. However during the global economic crisis (from 2008 to 2009) retail trade suffered one of its worst downturns. With the stabilisation of the economic situation in the Baltic States the retail sector started recovering and has since 2011 developed in tune with the overall economy. The retail turnover from 2010 to 2014 in Latvia increased by 25%, Lithuania by 33% and Estonia by 35% (www.csb.gov.lv, www.osp.stst.gov.lt, www.stat.ee).

In the era of new technology several new development trends can be observed in retail trade:

- Increase in the number of enterprises;
- Huge expansion of retailers;
- Rapid increase in new forms of retail trade (incl. Internet sales);
- Use of modern technology in retail trade;
- Increase in internal competition in the sector.

Consequently it is very important to find opportunities for successful development in circumstances of intense competition. Unfortunately a lot of enterprises choose to use unfair and/or illegal techniques to achieve their goals and be competitive. Research on the shadow economy index (EEI), which is calculated as a percentage indicate the above mentioned fact.

The basis of entrepreneurship is the satisfaction of consumer needs which ensures the achievement of an enterprise's aims. Several relationships are formed between the enterprise and the consumer during this process and each party has definite goals to achieve in mind. For enterprises firstly it is to attract and retain consumers, increase the turnover and market share, make a profit. Consumers on the other hand want to get the necessary product/service at a particular place, time and amount, receive the necessary information and service quality. The basis of this relationship is the mutual benefit gained. According to existing research (Anderson et.al, 2007) the cost of attracting new customers is 5 – 10 times more expensive than selling to your existing ones and existing customers spend 67% more money than new customers. Therefore the satisfaction of consumer needs is the primary task of any retail business.

The consumers' choice is based on the good (assortment and quality), price and place and service that meet their expectations and the necessary information. In the current market situation it is easy for consumers to gain information about the best offer on the market and retail enterprises have to come up with solutions to be leaders in the fight to attract and retain consumers and maintain long term relationships with them. Retailers need a tool that would ensure their competitiveness and create the desire in consumers to be loyal i.e. carry out repeat purchases and continue their relationship with the enterprise its products and brands. Therefore it is very topical to design and use a system that under real circumstances would enable retailers to enhance their working principles with legitimate aids and ensure competitiveness. One of the systems offered for ensuring efficient operations in retail trade is a system¹ for management of relationships with consumers based on *Consumer Relationship Management* (CRM) and *Efficient Consumer Response* (ECR). The management system designed in the enterprise promotes the transparency of internal processes and its ability to satisfy the needs of consumers and the society. In contrast a system for management of relationships with consumers is a business strategy and culture that is integrated in the enterprise's core processes providing the opportunity to increasingly better understand the needs of consumers and satisfy them.

Despite the popularity and effective use of management of relationships with consumers (hereinafter the term „consumer”² is used, because not just purchase but consumption as well is considered to be an influencing factor in retail trade) overseas, retail enterprises in the Baltic States are still lagging behind global trends in this field. It leaves a negative impact both on the enterprise's results as well as on customer satisfaction with the products offered and the service quality. Therefore research in this field is very topical. It is necessary to ascertain the essence of CRM and ECR and their integration, identify the reasons for its lack of use in Baltic retail enterprises, compare the

¹ The term „system” hereinafter is used a set of things, procedures or principles working together as parts of a mechanism or an interconnecting network; a complex whole. (Terminu un svešvārdu skaidrojošā vārdnīca, 2009).

² Consumer – person, who uses, consumes purchased goods and does not sell it further or uses some kind of service (Ekonomikas skaidrojošā vārdnīca, 2000).

experience of the countries and design a model system for management of consumer relationships appropriate for local circumstances.

The aim of introduction of CRM and ECR in retail enterprises is to increase the level of consumer satisfaction and loyalty to enterprise, its products and brands. Research on consumer satisfaction linking it to enterprise's promotion can be traced back to the middle of the 20th century (*Engel et.al., 1968; Gardozo, 1965, 244-249; Howard & Sheth, 1969 etc.*). It was acknowledged a bit later – 70's of the 20th century that consumer satisfaction/dissatisfaction is an important result of and enterprise's operations incl. its marketing (*Hunt, 1977; La Tour & Peat, 1979, 431-437 etc.*). Consumer satisfaction theory based on serious theoretical concepts and empirical research appeared. However, despite the relatively large number of research works researchers are yet to formulate a unified single definition of customer satisfaction and consumer satisfaction creation model.

One of the most significant expressions of consumer satisfaction is consumer loyalty. A one dimensional approach to consumer loyalty dominated in earlier research stages. In essence it referred to consumer loyalty as a concept solely related to repeated purchases (*Bass, 1974, 1-20; Tucker, 1964, 32-35*). With the development of research on loyalty deficiencies were identified even with the two dimensional approach (*Jones & Taylor, 2007, 36–51*). Such research was found to be expensive and did not provide true results from the enterprise's perspective.

Research on consumer loyalty and its practical implementation carried out at the end of the 20th century and beginning of the 21st century were impacted by the publications of researcher *R.Oliver* in this field (*Oliver, 1997; Oliver, 33-44*). The researcher considers that consumer loyalty is based on four dimensions – cognitive loyalty, affective loyalty, conative loyalty and action loyalty. However researchers are yet to formulate a common definition of customer loyalty and consumer loyalty creation model.

It should be mentioned that there are practically no significant research on the specifics of consumer satisfaction and loyalty creation in retail trade with regard to consumer actions in market stages.

Four systems for management of consumer relationships that have been studied in theory and implemented in practice in retail trade should be highlighted: loyalty programmes, consumer relationship management (CRM), Efficient consumer response (ECR), and 4) Relationship Marketing Management (RMM) (*Best, 2005; Butcger & Stephan, 2002; Evans, 2012; Harker, 1999; Kotler & Keller, 2006, 196-197; Reisheld, 2003; Toedt, 2015 etc.*). Retail enterprises use a lot of various relationship management systems but with evolution each new system incorporates definite elements from the previous system and appends it. Various explanations and definitions for management of consumer relationship can be found in scientific literature (*Curry, 2000; Evans, 2012; Harvey, 2015; Kotler & Keller, 2006, 196-197; Mc Corkell, 1997; Smith & Zook, 2011, 61-86; Tapp,*

2011). This can be explained by two reasons. Firstly with the introduction of new marketing tools and technology CRM functions also change and there are new possibilities in the consumer relationship management field. Secondly, analysis of CRM design and use is carried out from the perspective of specialists from different fields – marketing specialists, computer analysts, lawyers etc. It should be underlined that there are practically no significant research works on the specifics of use of CRM and ECR in retail trade.

The problem has been relatively less studied in Latvia up till now. Significant research have been carried out by University of Latvia researchers V. Praude, L. Stabulniece, A. Batraga and A. Krūmiņa. On the other hand greater attention has been paid to research on consumer relationship management problems by researchers from the USA, Canada and various European countries. The research works of *E. Anderson, R. Best, S. Butcher, P. DePelsmacker, M. Evans, Dž. Gibass, M. Harker, L. Harwy K. Keller, P. Kotlers, M. Krauss, G. McCorkell, D. O`Reilijs, F. Reicheds, A. Stephan, M. Toedt* and other authors should be highlighted.

Research environment: Retail trade enterprises of the Baltic States.

Research object: Managing customer relationships in Baltic retail enterprises.

The author proposes the following hypothesis.

Hypothesis. CRM/ECR system promotes the management of consumer relations and its introduction and use in Baltic retail enterprises increases consumer satisfaction and loyalty level towards the enterprise, its products and brands.

The following goals were formulated by the author to confirm (or disprove) the hypothesis.

Research goals. Analysing the theoretical aspects of management of consumer relationships and their use in Baltic retail enterprises as well as based on empirical research results to work out a model for management of consumer relationships and a methodology for the introduction and use of the model in Baltic retail enterprises.

In order to achieve the research goals the author set the several tasks.

Tasks.

1. Research the theoretical base of consumer satisfaction, loyalty, consumer relationship management, efficient consumer response.
2. Research the specific microeconomic, macroeconomic and business aspects of retail trade and development prospects from the Baltic customer satisfaction perspective.
3. Evaluate the level of introduction of consumer relationship management (CRM) system and efficient consumer response (ECR) system and its impact on Baltic retail enterprises.

4. Work out a model for management of consumer relationships and a methodology that would promote the efficient³ introduction of the system and its use in retail trade.

In order to perform the abovementioned tasks the author used several research methods.

Research methods.

Chapter 1 – monographic to summarise and understand the theoretical aspects of the problem under research; primary pilot research – survey to precisely describe the problem under research.

Chapter 2 – gathering of secondary data and classifying, comparing, data processing and analysis of the gathered data (using *MS Excel*) to understand the situation in the Baltic retail trade sector.

Chapter 3 – quantitative research – consumer survey; expert survey with leading specialists from supermarket chains and specialists from three Baltic traders associations, focus group discussions, data processing with *SPSS*, *MS Excel* and its analysis.

Chapter 4 – interpretation of the data analysed in the previous chapter to work out a model for management of consumer relationships in retail trade and a methodology for its implementation and evaluation of results.

Research limits. The Baltic retail trade sector comprises a wide variety of enterprises and it is not possible to research and analyse it comprehensively within one research. Therefore this research focuses primarily on big supermarket chains that operate in the Baltics. Although the research does not analyse specialised retail enterprises, the model worked out and the methodology can be partially related to them.

Research period. The theoretical part of the research covers the period from the second half of the 20th century to modern day. The empirical part mainly comprises data from the period 2005 till 2014 and the research part uses data gathered from surveys, interviews with leading specialists from supermarket chains and specialists from three Baltic traders associations, as well as survey of consumers and focus group discussions during the period 2015 to 2016.

Theoretical and methodological base for research:

- Scientific literature and articles on issues concerning customer satisfaction, loyalty and management of consumer relationships (*Engel, Blackwell, 1968, 1982, 1993; Gardozo, 1965; Giese, Cote, 2000; Howard, Sheth, 1969; Hunt, 1977; La Tour, Peat, 1970, Oliver, 1980, 1981, 1994, 1997; Reisheld, 19999, 2003; Swan, 1976, 1981, 1985, 2000; Wetbrook, Reily, 1983 etc.*);
- Scientific literature and articles on consumer relationship management (CRM) (*Curry, 2000; Evans, 2012; Harvey, 2015; Kotler, Keller, 2006; Mc Corkell, 1997; Smith, Zook, 2011; Tapp, 2011 etc.*).

³ Efficiency – the level at which a system or its component performs its functions with the minimum consumption of its resources (LZA TK ITTEA terminu datubāze).

- Scientific literature and articles on efficient consumer response (ECR) (*Butsonera, Martini, Zavattini, Santona, 2014; Dayer, Harbir, 1998; Hofstter, 2006; Teece, Gary, Amy, 1997 etc.*);
- Scientific literature and articles on functions and specifics of retail sector and its enterprises (*Best, 2005; Doyle, Stern, 2006; Kotler, Armstrong, Wong, Saunders, 2011; Kotler, Keller, 2006; Krūmiņa, 2007; Sauka, 2015; Stabulniece, 2004; Praude, 2011 etc.*);
- Normative enactments concerning relationship of retail sector and its enterprises with their suppliers (*Negodīgas komercprakses aizlieguma likums etc.*);
- Secondary statistical data on development of retail trade sector and its enterprises in the Baltics (www.csb.gov.lv, www.osp.stst.gov.lt, www.stat.ee, www.ec.europa.eu etc.);
- Primary research results gathered by the author;
- Internet sites (homepages, social media etc.) concerning retail trade sector, enterprises and partners (www.bms-soft.com; www.lta.lv; www.lpia.lt; www.go.sap.com; www.ecr-baltic.eu etc.).

The thesis proposed for defence.

1. The increase in level of consumer satisfaction and loyalty – these are the basic elements that can be achieved by the introduction and use of system for management of consumer relationships, in retail enterprises including CRM/ECR systems.
2. The analysis of the development of the Baltic retail trade sector indicates a low work efficiency and a relatively high level of shadow economy (incl. Latvia lagging behind other Baltic states in this area), and the necessity to find solutions for improving the situation.
3. Ascertaining the opinions of industry experts and consumers the information gathered indicates the lack of CRM or ECR systems or their inefficient use in Baltic retail enterprises.
4. Retail enterprises can make efficient use of the model for management of consumer relationships including the introduction and use of CRM/ECR systems taking into account consumer segmentation and personalisation, promotional activities, product category management, methods for increasing the quality of service and communication as well as the evaluation of the system on the whole to ensure effective building and maintaining of relationships with consumers.

Novelty.

1. A model for management of consumer relationships was worked out and a methodology for its implementation and use in retail enterprises was worked out as well.
2. Consumer satisfaction and loyalty models were worked out – enhanced conformity/disconformity (C/D) model for consumer satisfaction and conceptual consumer loyalty creation model taking into account specifics of management of consumer relationships in retail enterprises.
3. Definitions were worked out:

- Consumer satisfaction:

Satisfaction/dissatisfaction is a complex – cognitive, emotional and by intensity different reaction that is formed in relation to the actions during the pre-purchase, purchase and post purchase market stages.

- Consumer loyalty:

Loyalty is the result of consumer perception of the offer (goods, service, brand etc.) that leads to a positive attitude (cognitive, conative and affective) and actions favourable for the enterprise towards the offer (repeat purchases, additional purchases, high consumption intensity etc.).

- Consumer relationship management (CRM):

Consumer relationship management (CRM) is an enterprise strategy to attract, differentiate, serve and retain consumers by understanding and satisfying consumer needs, developing long term cooperation based on creating and maintaining consumer database.

- Relationship marketing management:

Relationship marketing management is creating, maintaining and developing cooperation with consumers and enterprise partners to promote offers necessary for consumers in the long term.

- Retail trade:

Retail trade sector that deals with the sale of products and services to individual consumers through shops or other outlets (Internet, direct marketing etc.) to satisfy their personal, household needs.

4. A comprehensive analysis and comparison of retail trade development in the Baltic States has been carried out for the first time in Latvia taking into account the microeconomic, macroeconomic and business level.
5. An empirical study on problems in the use of CRM and ECR systems in retail trade from the business and consumer perspective has been carried out for the first time in Latvia.

Practical significance of the doctoral thesis.

1. The research carried out by the author will provide retail enterprises the opportunity to rank their customer satisfaction and loyalty creation factors according to their importance.
2. The research carried out by the author in the field of management of consumer relationships could be used by retail enterprises for creating and using such systems in their operations.
3. The author's research shall promote the implementation and efficient use of product category management system in retail enterprises.

Scope of the work and structure.

Chapter 1 of the Thesis analyses the theoretical aspects of consumer satisfaction and loyalty in the retail sector. With the evolution of satisfaction and loyalty research the author has worked out a relevant model which is the basis for system of management of consumer relationships.

Chapter 2 gives an overview of analysis of retail trade development in the Baltics from the customer need satisfaction perspective. The analysis was carried out from the microeconomic, macroeconomic and business aspects. Special attention is paid to efficiency indicators in this sector. The author used, processed and analysed secondary data on retail trade development in the Baltics.

Chapter 3 reviews the empirical research carried out on use of CRM/ECR systems in Baltic retail enterprises. This chapter summarises, processes and uses primary data that summarises the results of survey of retail sector experts, consumers' survey and a focus group discussion.

Chapter 4 provides a description of the model worked out by the author for management of consumer relationships and a methodology for the introduction and use of the model in Baltic retail enterprises based on theoretical conclusions (chapter 1), analysis of retail sector (chapter 2), analysis of CRM/ECR systems in retail trade (chapter 3) and taking into account consumer segmentation and personalisation, promotional activities, product category management, consumer service and communication. At the end of the chapter the author summarises the evaluation of systems for management of consumer relationships.

Approbation of research results.

1. The theoretical and practical research results were discussed at an extended meeting of the Department of Commerce of the Faculty of Business Administration of Turība University on 3rd November 2016.
2. The research results were published in eight scientific articles in Latvian and English incl. recognised journals:

- 1) Liniņa I. (2016). Patērētāju attiecību vadības (CRM) pielietojums mazumtirdzniecības uzņēmumos Latvijā [Use of consumer relationship management (CRM) in Latvian retail enterprises], *XVII Turība international scientific conference proceedings "Competitive Enterprises in a Competitive Country"*, Riga, Latvia. ISSN 1691- 3078, Accession Number: 115097461.

Database: EBSCO, Business Source Complete

- 2) Liniņa I. (2016). Customer satisfaction management in retail trade. Article published Vol. No 43 *New Dimensions in the Development of Society Marketing and Sustainable Consumption Finance and Taxes*, ISSN 1691-3078; ISSN 2255-9930, Accession Number: 115450084.

Databases: ThomsonReutersWoS, EBSCO, Academic Search Complete

- 3) Liniņa I., Zvirgzdiņa R. (2016). The Consumer Loyalty Formation Process and its Particularities in the Retail Sector, article approved for publication in *Journal of Business Economics and Management*, Vilnius, Lithuania.

Databases: ThomsonReutersWoS, SCOPUS

- 4) Vēvere V, Liniņa I. (2016). Ethical Leadership: Meaning and Measurement. Latvian Retail Traders' Perspective, *Economics and Culture*, Vol. 14, ISSN 2255-7563; e-ISSN 2256-0173.

Databases: CEJSH; EBSCO

- 5) Liniņa I., Praude V. Zvirgzdiņa R. (2016). Main Consumer Satisfaction Formation Factors and Process in Retail, article approved for publication in *Web of Science*, Žilina, Slovakia.

Database: ThomsonReutersWoS

- 6) Liniņa I. (2016). Mazumtirdzniecības nozares darba efektivitātes rādītāju salīdzinājums Baltijas valstīs [Comparison of work efficiency indicators in retail sector in the Baltic States], *Journal of Turība University „Acta Prosperitatis No. 7”*, Riga, ISSN 1691-6077, Accession Number: 121178989.

Database: EBSCO; ProQuest, Academic Search Complete

- 7) Liniņa I., Zvirgzdiņa R. (2015). Risk assessment in development of marketing strategies in Latvian small and medium enterprises. *Economics and Culture*, Vol. 11, the University College of Economics and Culture, ISSN 2256-0173.
- 8) Zvirgzdiņa, R., Liniņa, I., & Vēvere, V. (2015). Efficient Consumer Response (ECR) Principles and Their Application in Retail Trade Enterprises in Latvia. Article published in *European Integration Studies*, (9), 257-264. DOI: 10.5755/j01.eis.0.9.12812; ISSN 1822-842, ISSN 2335-8831.

Database: ThomsonReutersWoS.

3. The research results were disseminated at the international scientific conferences in Latvia, Lithuania and Slovakia:
- 1) 16th International Scientific Conference Globalization and its socio-economic consequences, 5th – 6th October, Report: Main consumer satisfaction formation factors and process in retail in the situation of market globalization. Rajecke Teplice, Slovakia.
 - 2) 9th International Scientific Conference “BUSINESS AND MANAGEMENT` 2016” held on 12–13 May, 2016 at Vilnius Gediminas Technical University, report – THE CONSUMER LOYALTY FORMATION PROCESS AND ITS PARTICULARITIES IN THE RETAIL SECTOR, Vilnius, Lithuania.
 - 3) VI International scientific conference “21ST CENTURY CHALLENGES FOR ECONOMICS AND CULTURE” 7th – 8th April 2016. Report – ETHICAL LEADERSHIP: MEANING AND MEASUREMENT. LATVIAN RETAIL TRADERS' PERSPECTIVE, Riga, Latvia.

- 4) 17th Annual international scientific conference, 21st – 22nd April 2016, LLU. Report– Customer satisfaction management in retail trade. Jelgava, Latvia.
 - 5) XVII International scientific conference “Competitive Enterprises in a Competitive Country”, Turība University, Latvia. Report – Patērētāju attiecību vadības (CRM) pielietojums mazumtirdzniecības uzņēmumos Latvijā [Use of consumer relationship management (CRM) in Latvian retail enterprises], 31st March 2016, Riga, Latvia.
 - 6) 13th International Scientific Conference „Initiatives Towards Political, Economic and Social Development of Europe“ 27th of March 2015, report – EFFICIENT CONSUMER RESPONSE (ECR) PRINCIPLES AND THEIR APPLICATION IN RETAIL TRADE ENTERPRISES IN LATVIA, in Kaunas, Lithuania.
 - 7) IV University of Economics and Culture international scientific conference „CREATING SHARED VALUE IN KNOWLEDGE BASED SOCIETY: EXPERTISE, INNOVATION, CONTINUITY” 16th – 17th April 2015, report – Customer Relationship Management (CRM) Application in Retail Trade Enterprises in Latvia, Riga, Latvia.
 - 8) III University of Economics and Culture international scientific conference” CHANGES AND OPPORTUNITIES: EXPLORING NEXUS BETWEEN THEORY AND PRACTICE” 10th – 11th April 2014, report – Risk Assessment in Development of Marketing Strategies in Latvian small and medium Enterprises, Riga, Latvia.
4. Research results on the implementation and use of CRM/ECR systems were applied by retailers, members of the Latvian Trader’s association (due to high competition in the retail sector companies do not wish to publicize such issues) in practice.
 5. The research result were widely used during academic activity with the Turība University bachelor study programme “Marketing and Sales management”.

1. ANALYSIS OF THEORY ON MANAGEMENT OF CONSUMER RELATIONSHIPS

In the first chapter the author analyses scientific literature on systems for management of consumer relationship formation process in enterprises. In the context the following were researched:

- 1) consumer satisfaction formation process;
- 2) consumer attraction and loyalty formation process;
- 3) the concept, aims and implementation principles of management of consumer relationship in an enterprise taking into account the research context – retail trade.

The first attempts at defining consumer satisfaction appeared in the mid-20th century linking it to an enterprise's marketing (*Gardoz, 1965, 244–249; Engel, et. al., 1968; Howard, & Sheth, 1969*). Consumer satisfaction/dissatisfaction was acknowledged to be an important marketing result a bit later and appeared in scientific literature in the 70's of the last century (*Hunt, 1977; La Tour & Peat, 1979, 431–437*). Despite the large number of research works researchers are yet to come to a common definition of consumer satisfaction. The majority of the research that has practical significance assume that consumer satisfaction has been clearly defined and thus the emphasis is on creating and testing a satisfaction model. According to the author of the present research it is important to define the concept of consumer satisfaction not just from the theoretical but also the practical point of view.

Summarising the information on consumer satisfaction and its elements, the author on the basis of conclusions drawn offers the following definition of satisfaction – **Satisfaction/dissatisfaction is a complex consumer – cognitive, emotional and by intensity different - reaction that is formed in relation to the actions during the pre-purchase, purchase and post purchase market stages.**

This definition reflects the concept of satisfaction as a result. However in order to design a consumer satisfaction model the author first reviews basic theories of the satisfaction process that are based on serious theoretical concepts and empirical research.

9 consumer satisfaction theories can be found in scientific literature. Based on the review and analysis of the theories the author draws the following conclusions:

- There is an evolution in theory, i.e. each theory appends the previous by working out new elements in the consumer satisfaction process;
- Very often each new theory is based on a basic theory and is adapted to consumer satisfaction research;
- Mostly each new theory combines some previously worked out theories.

Consequently the attempts of researchers to create a universal consumer satisfaction theory which is called the C/D paradigm (*Confirmation/Disconfirmation Paradigm*), or offer conformity/disconformity model is logical.

Taking into account all critical remarks concerning the traditional C/D model, the author worked out a new version of the model (refer figure 1.1.), which has been taken as the basis for further research.

The offered C/D model in essence is universal, but it does not mean that there cannot be any specific features of use. Reviewing the research works of various authors it could be concluded that there are differences in the consumer satisfaction formation process in three sectors of the economy: consumer products sector (*Swan & Combs, 1976, 25–33; Lewis, 1995, 57–76 etc.*), industrial products sector (*Homburg & Rudolph, 2001, 82–91*) and service sector (*Brandt, 1988, 35–41; Cadotte & Turgeon, 1988, 74–79*).

The research context of the author – the retail trade sector due to its specific nature cannot be included any of above mentioned sectors. Retail trade is an intermediary product distribution channel (PIK). PIK is a mutually related set of enterprises who participate and perform all functions related to the movement, distribution, promotion and sale of products and related values from the producer till the consumer (Praude, 2011, 111–162; Kotler, *et al.*, 2011).

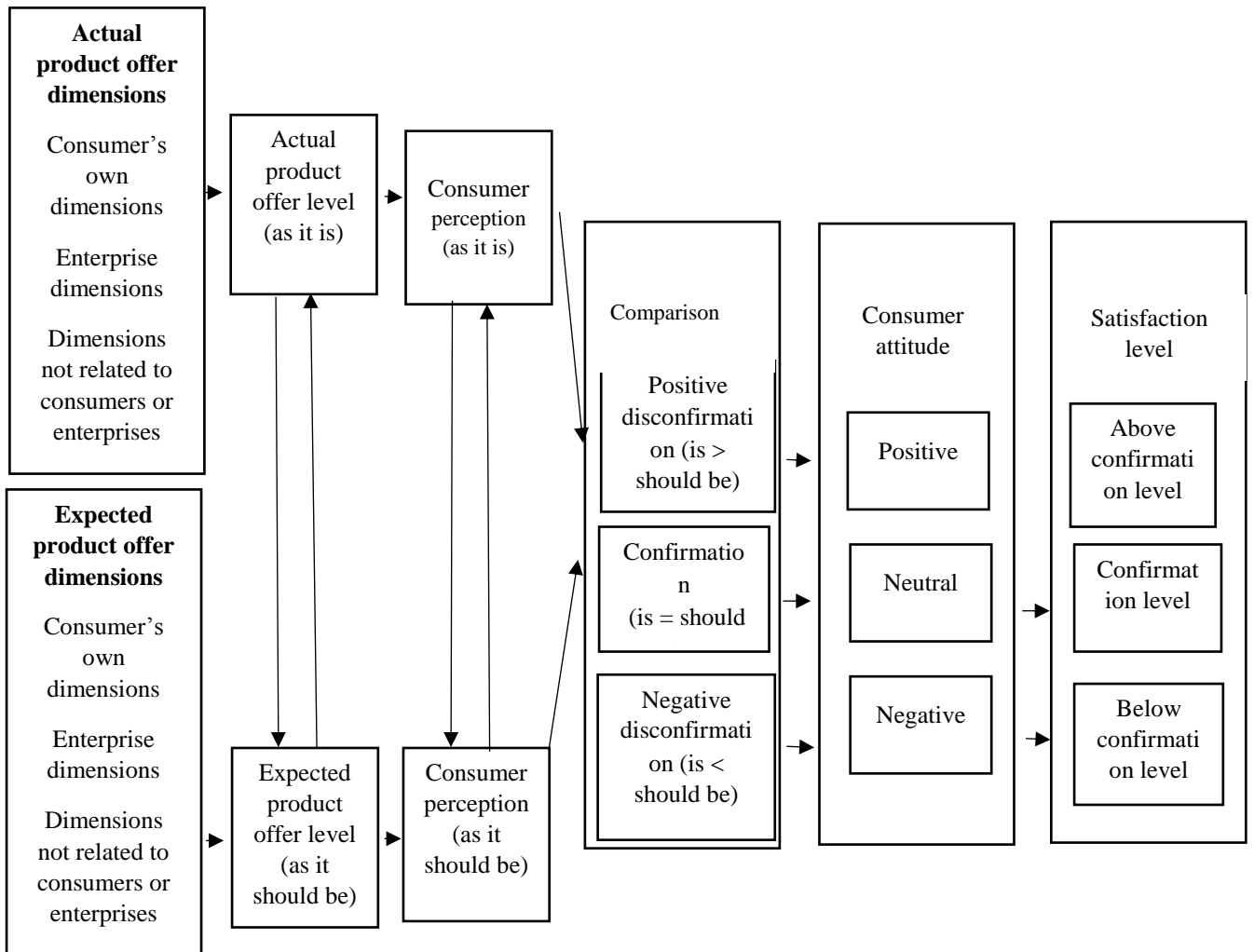


Figure 1.1. **Enhanced Consumer satisfaction conformity/disconformity (C/D) model designed by the author**

The dynamism of C/D model is important, in particular, in the service sector as, e.g. customer satisfaction with the outlet's service can be determined not just after the end of purchase of the product but also by the satisfaction level of a particular episode (e.g. product search) or a specific contact (for example, by the seller) experienced during any other visit to that outlet.

One of the important forms of expression of consumer satisfaction is loyalty. It is significantly more expensive for enterprises to attract new consumers rather than retaining existing consumers as regular consumers spend more and cost less for enterprises (Karjaluoto, *et al.*, 2012,

636–649). Researchers (*Mueller & Riesenbeck*, 1991, 69) have identified it costs enterprises around 15-20% less to retain loyal consumers than necessary to attract new ones. Based on empirical research other authors (*Hermann & Huber*, 1997, 4–25) state that attracting new consumers is 5–7 times more expensive than retaining existing consumers.

In order to draw conclusions regarding the essence of the concept of loyalty and its formation process the author analysed the opinions of other authors regarding this issue.

Summarising the information on theoretical aspects of the concept of loyalty the author offers the following definition of loyalty. **Loyalty is the result of consumer perception of the offer (goods, service, brand etc.) that leads to a positive attitude (cognitive, conative and affective) and actions favourable for the enterprise towards the offer (repeat purchases, additional purchases, high consumption intensity etc.).**

Loyal consumers have the following specific features:

- buy more and are loyal for a longer time;
- are less sensitive towards price increases;
- recommend other consumers to buy and consume/use a product/brand, which is favourable for the enterprise.

The majority of empirical research indicate that there is a close link/correlation between consumer satisfaction and loyalty (*Mittal & Kamakura*, 2001, 131–142; *Jones & Sasser*, 1995, 88–99 etc.). However, there is no common opinion on how this correlation is expressed (progressive, digressive or in any other form). Empirical research indicates that the correlation that is formed between consumer satisfaction and loyalty can be expressed graphically as a *S* form, as only when the consumer is totally captivated loyalty increases rapidly; when the consumer is in an indifferent zone the loyalty is stable but when he is in the disappointment zone his loyalty decreases (*Matzler & Pechlaner*, 2001, 35). Other researchers have identified that there is sometimes an illogical situation when there are satisfied but disloyal consumers and on the other hand dissatisfied but loyal consumers (*Finkelmann & Golland*, 1990, 5–10; *Cano, et. al.*, 2001, 976).

Based on the analysis of the advantages and disadvantages of the loyalty model the author worked out and offers a conceptual consumer loyalty formation model for practical use (refer figure 1.2.). This model in essence is universal but it should be applied practically taking into account the specific features of the sector/product/brand.

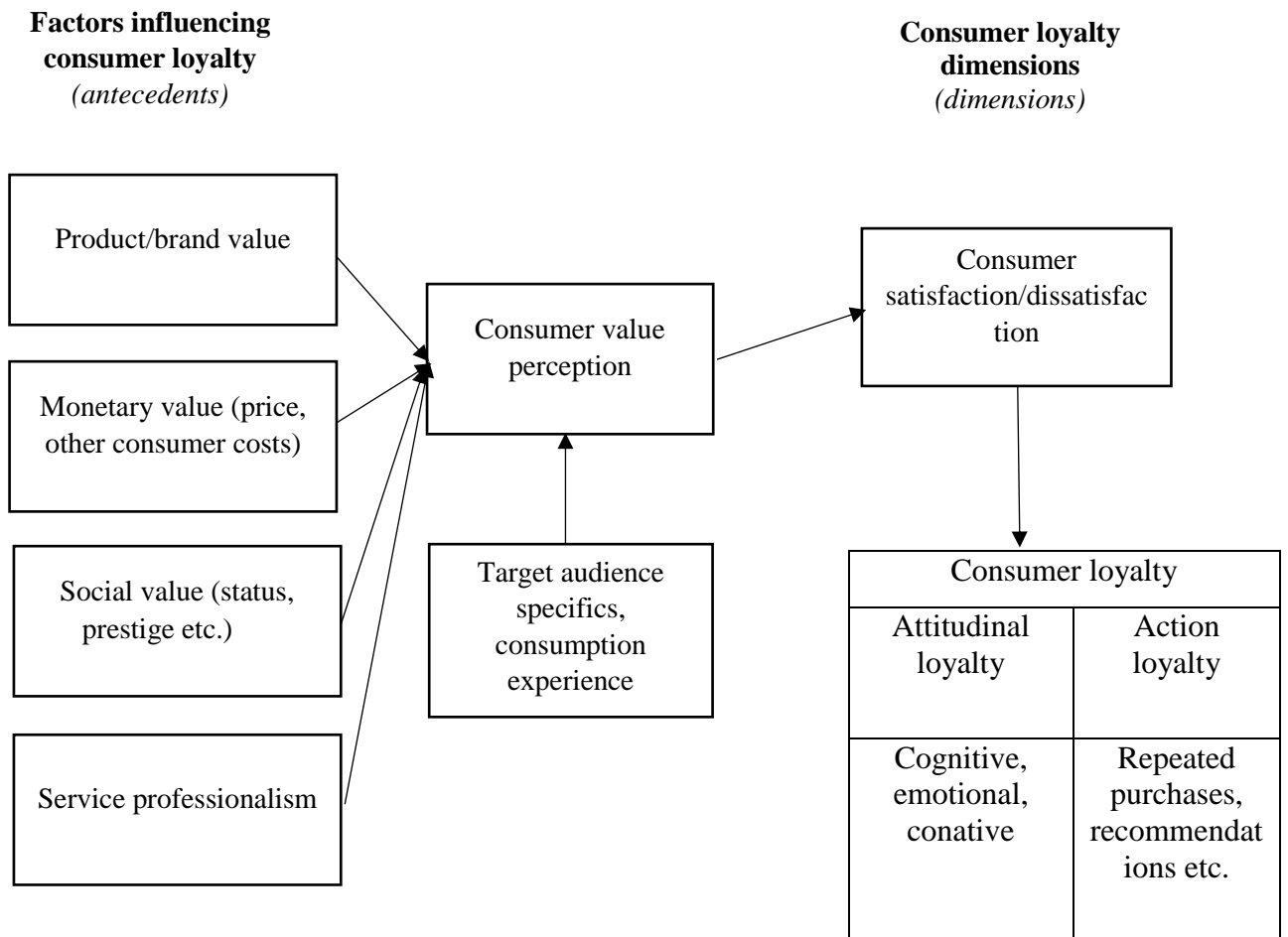


Figure 1.2. Conceptual consumer loyalty formation model

Based on the analysis of specialised literature, pilot research and the author’s work experience the following features of this consumer loyalty formation model in retail trade can be highlighted:

- 1) consumer can be loyal to a sales outlet;
- 2) the perception of the three mentioned factors depends on the geographic, demographic, social and psychological characteristics of the target audience;
- 3) attitudinal loyalty mainly relates to product/brand values and relation “product/brand values – consumer costs”; and action loyalty - to service quality;
- 4) there are various consequences of consumer loyalty but the main form of expression is repeat purchases.

According to the author both the models offered (satisfaction model – figure 1.1. and loyalty model figure 1.2.) should form the basis for the formation and management of consumer relationships.

Many modern day experts, researchers and managers have come to the conclusion that under circumstances of intense competition one of the most significant success factors for an enterprise is consumer satisfaction with its products on offer and their loyalty to the products/brands/enterprise. It

is this favourable attitude and loyalty which forms the basis for the creation of the enterprise's consumer capital. However, to reach the desired level of consumer satisfaction and loyalty enterprises should manage their relationships with consumers. Consumer satisfaction and consumer loyalty will not be formed automatically. According to the author the following correlations can be observed (refer figure 1.3.).

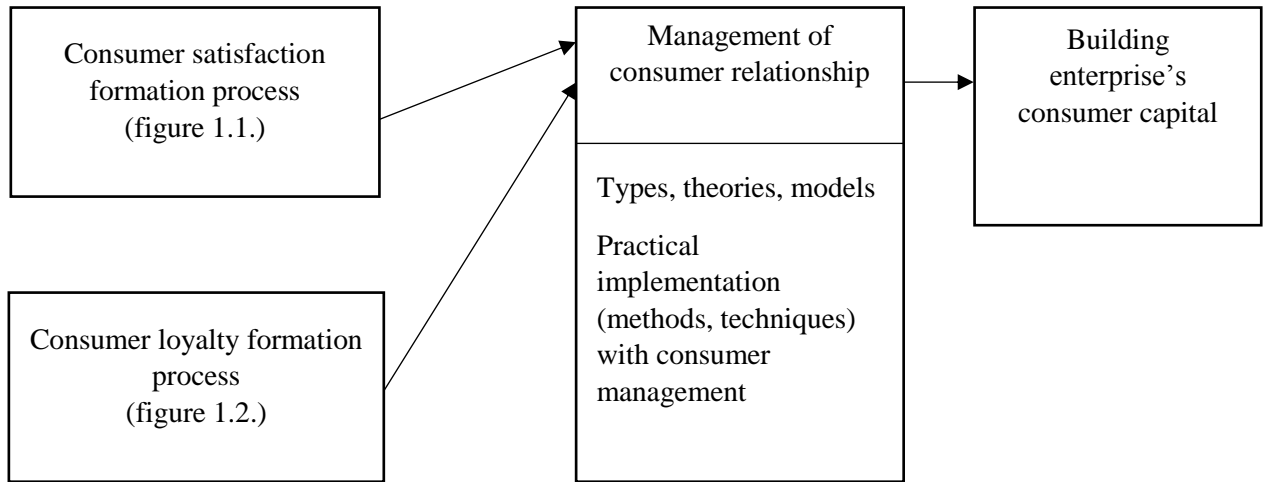


Figure 1.3. Management of consumer relationships in relation to consumer satisfaction and consumer loyalty

Having analysed several publications and other sources on management of consumer relationships (*Reisheld, 2003; Evans, 2012; Butscger & Stephan, 2002; Kotler & Keller, 2006, 196–197; Toedt, 2015; Harker, 1999; Best, 2005* etc.), the author has come to the conclusion that four systems researched in theory and applied in practice in retail trade should be highlighted:

- 1) Loyalty Programme – LP;
- 2) Consumer Relationship Management – CRM;
- 3) Efficient Consumer Response – ECR;
- 4) Relationship Marketing Management – RMM.

Retail enterprises use several management systems in practice but with evolution, each newly developed system includes both positive and tested elements of previous systems and new elements (refer figure 1.4.).

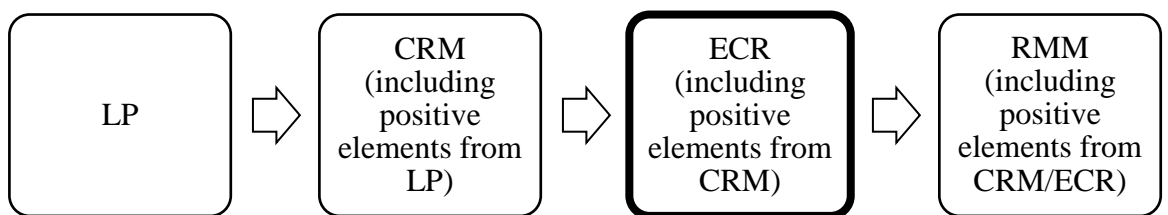


Figure 1.4. Evolution of consumer relationship management systems in retail trade

The author analysed literature on each of the management systems mentioned above in figure 1.4. and the experience in their practical implementation and drew conclusions about the differences, similarities, common elements, advantages and disadvantages. The author offers her own definition of the management system as well as diagrams related to the formation process of these systems.

The author analysed data on theory and practice of CRM from the marketing perspective (Curry, 2000; Evans, 2012; Kotler & Keller, 2006, 196–197; McCorkell, 1997; Smith & Zook, 2011, 61–86; Tapp, 2011; Harvey, 2015). For instance, P. Kotler and K. L. Keller consider that CRM is „the use of detailed information on each consumer and the management of contact of each consumer with products/brands/enterprise” (Kotler & Keller, 2006, 196–197). P. R. Smith and Z. Zook underline that CRM is „set of enterprise activities aimed at creating and maintaining a database to help retain consumers using their needs, complaints, recommendations and purchases” (Smith & Zook, 2011, 61–86). L. Harvey considers that CRM combines two systems: internal (consumer research) and external (relationship building with consumers), that are connected mutually, with the aim of attracting and retaining consumers by offering them products/brands that satisfy their needs (Harvey, 2015).

The author agrees with the opinion that „CRM is not just technology and therefore it is not possible to enhance the quality of relationship with consumers just with the help of a software programme. CRM is a strategic component of the interaction between the enterprise and its consumers” (Krauss, 2002). Often the definition of CRM does not differ significantly from LP definition. For instance, O. Reilijs and D. Gibass underline the set of an enterprise’s internal activities (consumer needs and costs research) which should be used to form external relations with consumers (communication, purchase process) as the basis for CRM (O`Reilijs & Gibass, 2000). In this definition the authors do not mark the role of marketing databases or new information technology in the CRM process and do not emphasise the necessity for strategic approach to the system as well. Summarising the information gathered from the relevant publications and internet sources the author proposes the following CRM definition: **Consumer relationship management (CRM) is an enterprise strategy to attract, differentiate, serve and retain consumers by understanding and satisfying consumer needs, developing long term cooperation based on creating and maintaining consumer database.**

In essence the CRM system matches the needs of retail enterprises, of course taking into account the specific features of the sector. Having analysed publications on the use of CRM in retail trade (Anderson, et. al., 2007; Curry, 2000; Griffin, 2002; Kim, et. al., 2004; Swift, 2000), the author has come to conclusions regarding certain CRM system features that should be followed in retail trade.

Consumer relationship management (CRM) systems were followed by ECR (Efficient Consumer Response) which means „efficient response to meet consumer needs”. Analysis of results of publications in the field of ECR (*Dyer & Harbir, 1998, 660–679; Seifert, 2001; Hofstetter, 2006; Salmon, 1993; Teece, et. al., 1997, 509–533* etc.) allow the author to conclude that despite the insignificant differences all the authors consider that ECR is „cooperation between retailers/distributors and manufacturers with the aim of satisfying consumer needs and promoting prevention of irrational costs in the supply chain from the manufacturer to the consumer”.

While agreeing to the statements of the abovementioned researchers regarding ECR the author however considers that it is unreasonable to plan and implement this relationship management system with consumers in practice separately and independently from the introduction of CRM in retail trade. In essence ECR is modernised and updated CRM as it serves the same purpose – managing relationships with consumers to satisfy their needs for products and increase their loyalty level. It is clear that close cooperation between manufacturers and retailers is necessary in this field. Improvement in product quality may mean nothing if retail enterprises are unable to ensure high quality service to their customers (CRM system function) and their loyalty indicators would go down due to the above reason. Summarising the information gathered it could be concluded that the efficient use of CRM and ECR systems is the basis for creation of consumer relationship management systems in retail enterprises.

2. ANALYSIS OF RETAIL TRADE DEVELOPMENT IN THE BALTICS FROM THE CONSUMER NEEDS SATISFACTION PERSPECTIVE

Researching the formation of consumer satisfaction and consumer loyalty in Chapter 1 the author already highlighted the specifics of the retail sector from the management of consumer relationship aspect. However, a much more in depth analysis of retail features, functions and development trends is required for a well-grounded and comprehensive research of management of consumer relationship from the theoretical and practical perspective. Summarising the scientific literature and publications on retail trade development (*Kotler & Keller, 2006; Best, 2005; Doyle & Stern, 2006; Stabulniece, 2004; Krūmiņa, 2007* etc.), the author concludes – to understand the factors influencing management of consumer relationships an analysis must be carried out from three aspects:

- 1) macroeconomic aspect;
- 2) microeconomic or sector aspect;
- 3) business aspect.

Of course all three aspects are closely linked mutually and practically expressed simultaneously but in essence methodologically highlighted retail trade aspects provide the

opportunity to precisely determine its roles, functions and operational methods from the management of consumer relationships point of view.

Firstly the author analyses the role and development of retail trade from the macroeconomic aspect, i.e. as an intermediary in the distribution channel between the producer and the consumer.

As a result of the intermediary function there is an increase in the product value and consumption value. The following indicators show the role of retail trade in the development of the national economy:

- gross domestic product (GDP);
- added output;
- added value.

The author analyses trends in retail trade development according to the relevant indicators for the period 2005 - 2014.

For instance, analysing the contribution of retail sector to the GDP in all the Baltic States it could be concluded that the situation differs slightly in each country. In Estonia, the indicator on average is 4.3%, in Lithuania – 7.9%, and Latvia - 6.2% of GDP. The contribution of retail sector to the GDP in all the Baltic States in 2014 has decreased in comparison to 2005. However, this does not mean a reduction in the role and significance of the retail sector; it just indicates a structural change in the GDP with an increase in contribution from other sectors. With the development of other sectors the income of inhabitants increases which results in an increase in internal consumption.

In order to better understand the retail trade situation in the Baltics the author analysed the turnover for the period 2005 – 2014. Fluctuations in turnover at current prices in all the Baltic States were very similar. Till 2008 an increase in turnover was observed in all Baltic States. Only Latvia in contrast with the other Baltic States experienced a slight smaller increase. The turnover fell considerably in all Baltic States in 2009 followed by an increase in 2010 (with the exception of Lithuania where turnover continued to fall). The turnover increased considerably from 2011 to 2014 all Baltic States. The rate of growth in turnover in all three countries was very similar but the turnover growth rate was a slightly higher in Lithuania.

Business efficiency of retail sector as in any other sector are characterised by the results achieved in relation to the resources used or costs. One of the characteristic indicators is turnover and the other in the author's opinion is added value – output value minus the value of goods and services used in production. Added value leads to increase in market value of the product as a result of economic activity”.

Key resources or costs in retail trade include personnel or the number of employees, personnel/labour costs and the number of hours worked. It should be explained that personnel costs comprise “Total remuneration in cash or in kind which employer pays to an employee as a reward for

the work done. Personnel costs also include employer's social security contributions.” (Latvian Central Statistical Bureau, 2013, 297):

Having analysed efficiency indicators of the retail trade sector the author designed the following table 2.2. reflecting the position of each country according to each indicator.

Table 2.1.

Results of efficiency indicators of retail trade (Ranking No.) in Baltic States

No.	Indicator	Latvia		Lithuania		Estonia	
		2005	2014	2005	2014	2005	2014
1	Net turnover in relation to number of personnel	2	2	3	3	1	1
2	Added value in relation to number of personnel	2	2	3	3	1	1
3	Net turnover in relation to personnel costs	1	1	3	3	2	2
4	Added value in relation to personnel costs	1	1	3	3	2	2
5	Net turnover in relation to number of hours worked	3	3	2	2	1	1
6	Added value in relation to number of hours worked	2	3	3	2	1	1
Total sum of ranking		11	12	17	16	8	8

The total (refer table 2.1.) gives an overall insight of the efficiency indicators. Estonia has the least sum (means highest efficiency) (8), Latvia the second place (12), and Lithuania the third place (16). On the one hand we can be proud that that we are ahead of Lithuania, but on the other hand we should orient ourselves to the best results. It should be stated however in this context there were no changes in 2014 compared to 2005. Latvian retail enterprises have to work more to increase their turnover, optimise their personnel costs and more efficiently use the hours worked.

Unfortunately, a lot of enterprises instead of increasing their efficiency choose to use unfair and/or illegal practices achieve their business goals. This can be seen from research on the so called shadow economy index (EEI), which is calculated as percentage of the GDP. Such a situation distorts competition and fair practices in the retail sector. There are a lot of possibilities for an enterprise to become more competitive. One of them in the author’s opinion is the management of consumer relationships which is analysed in this thesis.

To confirm the opinion the author analysed research data on shadow economy in the Baltic retail sector (refer figure 2.4.).

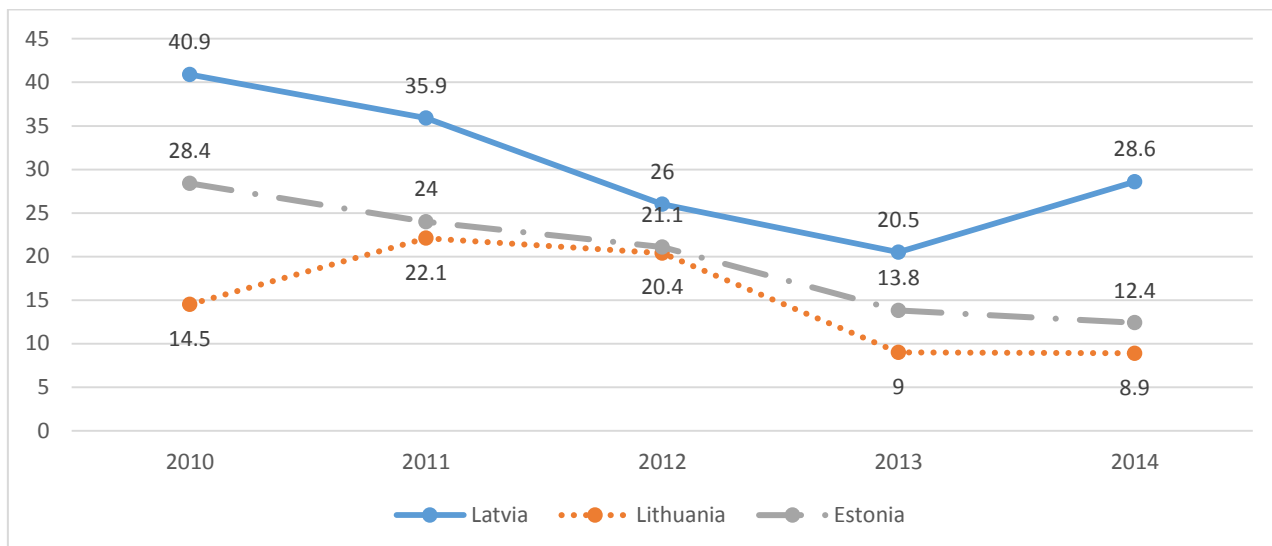


Figure 2.1. Shadow economy in the Baltic State retail sector 2010 – 2014 (% of GDP) ((Putniņš and Sauka, 2015, 23–24)

As seen in Figure 3, Latvia is the leader among the Baltic States regarding shadow economy in the retail sector. While there was a positive trend from 2010 to 2013 with EEI decreasing by 20.4 percentage points, the indicator increased by 8.1 percentage points in 2014. It should be noted that the index was only 12.4% in Estonian retail sector, which has the highest efficiency (refer table 2.1), in 2014. As well, for Estonia and Lithuania the index shows constant decrease trend. This means that companies can reach their goals applying legal and transparent business methods, incl. in the field of consumer relationship management.

Following the analysis of retail development in the Baltics it is necessary to study the use of systems for management of consumer relationships in retail enterprises.

3. ANALYSIS OF THE USE OF SYSTEMS FOR MANAGEMENT OF CONSUMER RELATIONSHIPS IN BALTIC RETAIL ENTERPRISES

In order to develop systems for management of consumer relationships in retail enterprises it is important to ascertain the main elements of these systems, factors influencing them and the current situation in the field of consumer management. Three separate surveys were carried out to ascertain the use of systems for management of consumer relationships in the Baltics – expert survey, consumer survey, consumer focus group discussion.

Management of consumer relationships is considered to be a phenomenon that studies consumers and in the context of the present research the perception of processes and therefore the research can be classified as analytical and the research paradigm is positivism (Kumar & Thondikulam, 2005). The research is based on a mixed method approach. Firstly it is quantitative as

the aim is to characterise the system for management of consumer relationships as a phenomenon that is based on the evaluation present offer by industry experts and consumers (Kristapsons, Kamerāde etc. 2011: 49-81). The research has a qualitative approach to identify the essence of consumer evaluation and its explanation (Kristapsons, Kamerāde etc. 2011: 89-116).

The figure 3.1. reflects the research design that includes: link to theoretical research, empirical research goals, tasks, methods used and description of results.

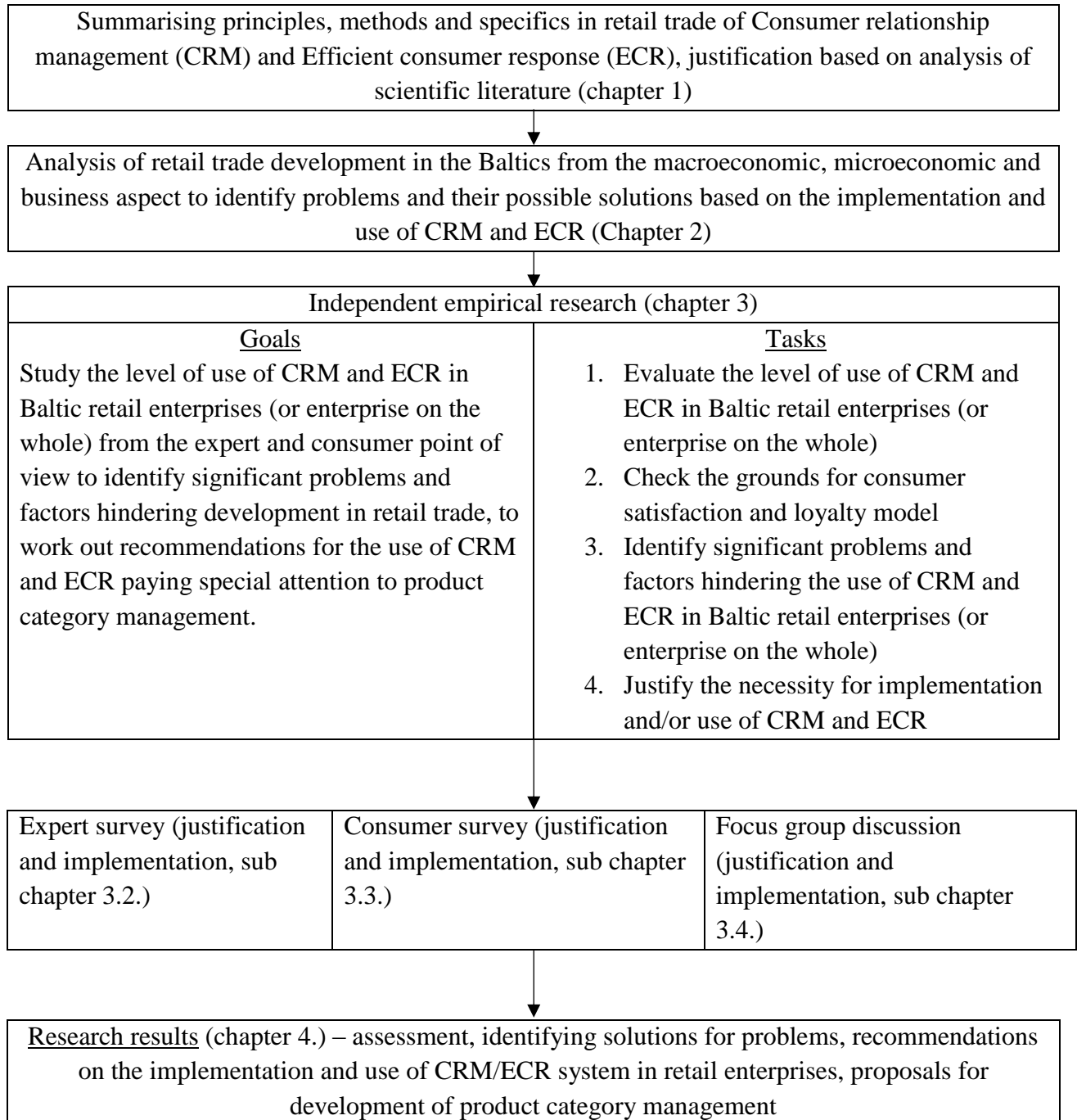


Figure 3.1. Research design

Expert survey is primarily used to analyse and predict industry issues and to analyse and solve research problems (Kristapsone, 2014: 281-284). The author implemented the expert survey method in her research in four stages:

1. Preparation for the expert survey (incl. drafting the questionnaire that consisted of three question blocks).
2. Choice of experts and the composition of expert groups (9 qualified experts were chosen) (Vasermanis etc., 2002, 16).
3. Description of the expert survey (individual, remote, closed survey, closed type of questions with assessment on a 10 point Likert scale).
4. Statistical methods for expert survey and analysis (Kristapsone, Kamerāde etc. 2011: 199).

The first block of questions were drafted with the aim of evaluating the level of use of CRM in retail enterprises in all the three Baltic States according to seven criteria.

The author conducted the processing and analysis of expert survey results to evaluate the level of use of CRM according to each criterion (refer table 3.1). As can be seen the lowest evaluation ($\bar{X} = 3.78$; Me = 3.0; Mo = 1.00) was for the criterion „creating product range based on CRM data”. It is a poor indicator as consumer satisfaction and loyalty in retail enterprises to a great extent are dependent directly on the product range. It emerges from the data on Table 3.1. that retail enterprises make insufficient use of processing and analysis of CRM gathered data ($\bar{X} = 4.33$; Me = 5.00; Mo = 5.00) and data from consumer loyalty programme related to CRM ($\bar{X} = 4.44$; Me = 5.00; Mo = 5.00). It is unexplainable as according to theory loyalty programme is the basis for development of CRM.

Table 3.1.

Assessment of each expert on the level of use of CRM in retail enterprises or enterprise overall in Baltic States on a 10-point system (10 points – very high, 1 – very low)

Level of use of CRM	Mean	Standard error of Mean	Median	Mode	Standard deviation	Skewness	Range	Maximum	Sum
Use of CRM options	5.22	0.80	6.00	2.00	2.39	5.69	5.08	8.00	47.00
Link consumer loyalty programmes to CRM	4.44	0.75	5.00	5.00	2.24	5.03	5.61	7.00	40.00
Processed and analysed data gathered through CRM	4.33	0.75	5.00	5.00	2.24	5.00	5.73	7.00	39.00
Consumer segmentation using CRM database	4.78	1.00	5.00	1.00	2.99	8.94	6.96	9.00	43.00
Using CRM data to develop product assortment	3.78	0.89	3.00	1.00	2.68	7.19	7.89	8.00	34.00
Probability that measures to improve CRM software will be carried out in the next 5 years	6.78	0.83	8.00	8.00	2.49	6.19	4.08	10.00	61.00
Probability that measures to improve CRM usage in enterprises will be carried out in the next 5 years	7.22	0.85	8.00	9.00	2.54	6.44	3.91	10.00	65.00

To evaluate each level of use of CRM for developing marketing activities the author carried out processing and analysis of the experts' answers (refer table 3.2). As can be seen the evaluation for the criteria on all the four levels of use of CRM for developing marketing activities is below 5 points (mean \bar{X} = 4.78; 4.78; 3.78; 4.78; median Me = 4; 5; 3; 3; mode Mo = 4; 6; 3; 6). Moreover, the lowest average indicators were for the criteria "the target consumers were taken into account for developing marketing activities" (\bar{X} = 3.78; Me = 3.0; Mo = 3.0). If an enterprise does not carry out consumer research, does not taken into consideration their specifics (features) and needs then the whole implementation of CRM is just a formal, useless process.

Table 3.2.

Expert assessment on the level of use of CRM in retail enterprises or enterprise overall in Baltic States in creating marketing activities on a 10-point system (10 points – very high, 1 – very low)

Level of use of CRM	Mean	Standard error of Mean	Median	Mode	Standard deviation	Skewness	Range	Maximum	Sum
Developing promotional activities using CRM data	4.78	0.64	4.00	4.00	1.92	3.69	4.47	8.00	43.00
Communication with consumers using CRM data	4.78	0.57	5.00	6.00	1.72	2.94	3.99	7.00	43.00
Developing marketing activities taking into account the target audience	3.78	0.76	3.00	3.00	2.28	5.19	6.70	8.00	34.00
Marketing activities oriented towards consumer loyalty	4.78	0.60	5.00	6.00	1.79	3.19	4.16	8.00	43.00

In order to evaluate each ECR (incl. product category management) criteria the author carried out an in-depth processing and analysis of the expert survey results (refer table 3.3.).

**Expert assessment on the use of ECR and product category management in enterprises or
enterprise overall in Baltic States, main indicators**

Level of use of ECR	Mean	Standard error of Mean	Median	Mode	Standard deviation	Skewness	Range	Maximum	Sum
Level of cooperation of product category managers with suppliers of the same category products	5.33	0.78	5.00	4.00	2.35	5,5	4.89	9.00	48.00
Product category managers use information from ECR databases	3.22	0.70	3.00	2.00	2.11	4.44	7.27	8.00	29.00
Product category managers are responsible for sales of products in the category	5.78	0.76	6.00	6.00	2.28	5.19	4.38	9.00	52.00
Product category managers determine pricing for products in the category	5.00	0.85	4.00	9.00	2.55	6,5	5.67	9.00	45.00
Product category managers are responsible for promotion of products in the category	4.78	0.88	4.00	4.00	2.64	6.94	6.13	9.00	43.00
Product category managers consult salesmen of products in the category	3.22	0.68	3.00	2.00	2.05	4.19	7.06	7.00	29.00
Accessibility of product category managers to information regarding customer satisfaction	4.67	0.82	5.00	8.00	2.45	6.00	5.83	8.00	42.00
Possibilities of product category managers to respond to changes in consumer needs	4.56	0.82	4.00	4.00	2.46	6.03	5.99	8.00	41.00

As can be seen the use of ECR databases by product category managers is rather poor (3.22 – mean regarding use of ECR databases, incl. 5.33 for cooperation with suppliers; 4.67 – regarding customer satisfaction). Product category management is at a high level in some individual enterprises. Mo = 8 and Mo = 9 indicate the use of information regarding prices and customer satisfaction from ECR databases by product category managers. Approximately similar assessment, that is an insufficient level, (refer figure 2) indicates that the product category management should be enhanced as a whole and not just its separate elements. Moreover, the process should definitely be integrated with the ECR database. Otherwise, product category management will not be closely linked to the specific characteristics of the target audience, communication modes and satisfaction of consumer needs.

On the whole the following conclusions can be made from the processing and analysis of expert survey results.

1. The expert survey preparation process, i.e. the choice and selection of experts, drafting of the questionnaire and its distribution point out to the objectivity of the processing and analysis of expert survey results.
2. The level of use of CRM in Baltic retail enterprises is insufficient from the consumer satisfaction and loyalty formation perspective and therefore it is necessary to enhance and develop this system.
3. The processing and analysis of data gathered, consumer segmentation and identification of the target audience, development of loyalty programme and product assortment should be carried out during the CRM enhancement process.
4. CRM with regards to marketing activities of the enterprise – product promotion, communication observing the specifics of the target audience etc. – are at a very low level which is in conflict with the overall aims of satisfying consumer needs and building loyalty.
5. In order to improve CRM with regards to marketing activities of the enterprise, it is necessary to combine CRM and marketing personnel under a common structural unit and develop a strategy to liquidate conflicts between CRM and marketing activities.
6. ECR should also be developed alongside CRM incl. cooperation with suppliers in creating the product assortment, promotion and building consumer loyalty.
7. In relation to the development of CRM/ECR systems in retail enterprises it is necessary to invest into and develop the product category management approach using CRM/ECR databases and coordinating it with other marketing and promotional activities.

In order to study consumer attitude and buying habits, monitoring of inhabitants or consumers in the sector under research was used. The traditional method was used to ascertain the advantages and disadvantages of the direct and indirect use of CRM and ECR systems in Baltic retail enterprises from the consumers' perspective – a survey using a questionnaire⁴ (*Rust et al., 2004*). The survey was carried out in all three Baltic countries to identify consumer satisfaction factors and rank them per their significance. The use of the method comprised six stages. Taking into account the survey goals and the characteristics of the respondents the author chose to use a standard questionnaire. This meant all respondents were offered the same questions in the same sequence to enable objective comparison of the responses. The questions were chosen with one answer according to 5 point Likert scale and other systems.

From all the available options – personal interviews, survey by post, telephone, fax, email and Internet, the author chose to create the questionnaire using “Google forms” and translated them into Lithuanian and Estonian as well. A non-probability snowball sampling technique was used (*Kristapsone, Kamerāde etc. 2011: 71*); the author sent links to personal contacts (respondents)

⁴ Refer appendix No.4 for sample questionnaire

through email who forwarded it to other respondents. The survey questionnaires were distributed through member enterprises of trade associations of all three Baltic countries. 1446 questionnaires were considered valid for the research incl. 673 from Latvia, 388 from Lithuania and 382 from Estonia. The inhabitants of all three Baltic countries were considered as population of interest. At the 95% confidence level and 5% error margin the minimum sample size for each country was calculated - 385 respondents – 385 respondents (Arhipova & Bāliņa, 2006, 98–104). The minimum sample was achieved in Lithuania and Estonia and exceeded in Latvia. As the “Google forms” does not allow for the submission of partly filled or incorrectly filled questionnaires all the 1446 questionnaires were considered to be valid. The respondent profile is summarised in the table 3.4.

Table 3.4.

Socio demographic indicators of the respondents

No.	Socio demographic indicators	Number	
		Number	%
1.	Gender		
	female	940	65
	male	506	35
	Total	1446	100
2.	Age		
	0–25	506	35
	26–40	606	42
	41–55	230	16
	56–63	101	7
	64 >	3	0
	Total	1446	100
3.	Income		
	0–250	86	6
	251–500	318	22
	501–750	376	26
	751–1000	333	23
	1001 >	333	23
	Total	1446	100

Consumers answered questions related to the factors affecting choice of supermarket chains, frequency of purchase, time spent in supermarkets, product range and placement in the shop area, pricing policies, sales-building activities, service quality, communications etc. The responses to all questions were processed and analysed using SPSS (Kristapsone, Kamerāde etc. 2011: 199). It is useful to compare the choice of supermarket chains according to consumer evaluations and evaluation of real situation in supermarkets (refer tables 3.5. and 3.6.).

Table 3.5.

Factors affecting choice of supermarket chains and the arithmetic mean

Factors affecting choice of supermarket chains	Mean
Product assortment	4.15
Price level	3.55
Product placement and convenience	3.05
Marketing activities	3.94
Service quality	3.99

Table 3.6.

Evaluation of supermarket performance and the arithmetic mean

Evaluation of supermarket performance	Mean
Product assortment	3.6
Price level	3.73
Product placement and convenience	3.37
Marketing activities	3.39
Service quality	3.48

Illustrating the above indicators (refer figure 3.2) and comparing them it could be concluded that the evaluation of performance of supermarkets are lower than the those reflecting the choice of supermarkets. This means that the real performance is lower than the expectation of customers. On the other hand, the evaluation of real performance in terms of price level and product placement and convenience is higher the evaluations for the same criteria as factors influencing the choice of supermarkets. According to the author it is wrong to assume that there is nothing to be improved in these criteria.

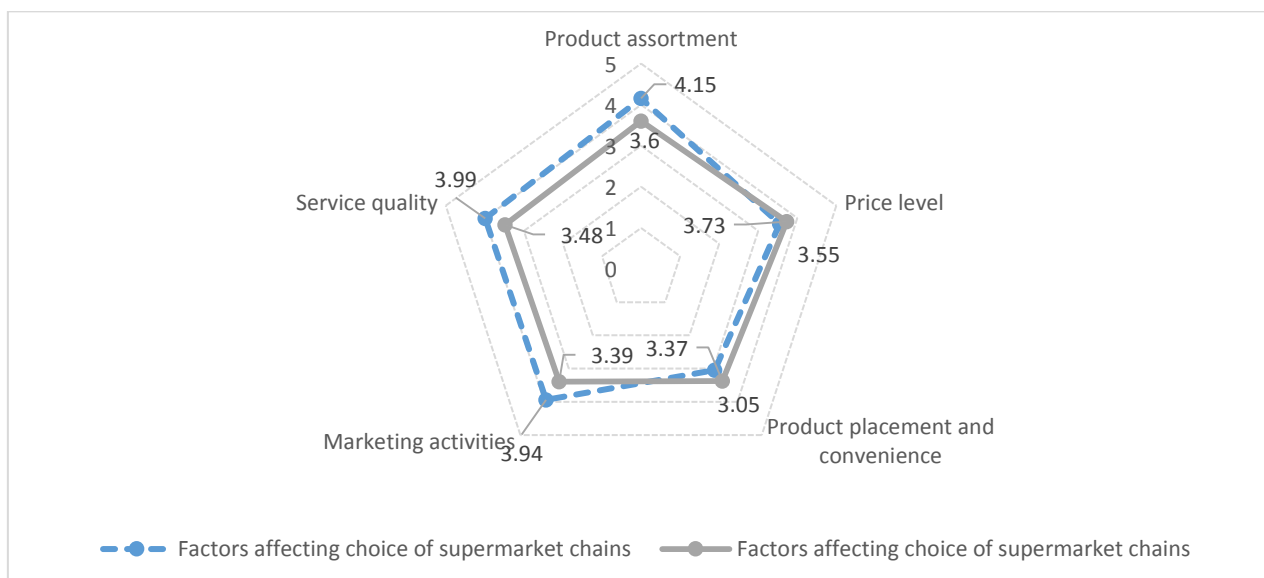


Figure 3.2. Comparison of mean of factors influencing the choice of supermarkets to the evaluation of supermarket performance

Firstly the situation in the market can change due to changes in the internal and external environment of retail enterprises. Secondly improvement of performance due to the introduction and use of CRM and ECR can promote changes in the consumers' choice of supermarkets (e.g. product placement and convenience may become important factors in their choice of supermarkets).

On the whole the following conclusions can be drawn based on the processing and analysis of results of the consumer survey:

1. The consumer survey preparation process, i.e. drafting of the questionnaire and its distribution point out to the objectivity of the processing and analysis of consumer survey results.
2. Consumers have a relatively low level of loyalty towards supermarkets in the Baltics. Retail enterprises do not use all the options available yet to attract and retain consumers incl. the using of CRM and ECR. Consumer loyalty towards retail enterprises on the one hand would further the increase in value and on the other hand would be profitable to the whole sector and the national economy.
3. 77% of consumers buy more than once a week (average purchases on a regular basis); 57% spend 15–30 minutes in supermarkets, 22% – 30–60 minutes. In order to increase the amount of purchases, supermarkets should ensure service for a high consumer flow, optimal placement of products on shelves etc. with the help of CRM and ECR.
4. Product assortment indicators, product placement and convenience, pricing, promotional activities and consumer service quality are mainly average and the low consumer evaluations indicate the inefficient introduction and use of CRM and ECR systems in supermarket operations.
5. Various target audiences from the purchase according to previously compiled shopping list and the impulse purchase point of view indicate the necessity for consumer research and needs satisfaction using the possibilities offered by CRM and ECR.
6. Mainly positive attitude of consumers towards consumer loyalty cards and simultaneous use of several cards under circumstances of competition demand the enhancement of supermarket operations with suppliers, cooperation partners to achieve diversity and convenience in the use of loyalty cards at the same time using it as the basis to create consumer databases.
7. Correlation coefficient calculations between the demographic and economic indicators on the one hand and their evaluations of product assortment, product placement and convenience, pricing, promotional activities and consumer service quality on the other hand indicate that the correlation is mainly negative and weak. Supermarkets have to take into account the specifics of their target audiences to achieve positive correlation.
8. The comparison of factors influencing the choice of supermarkets to the evaluation of supermarket performance indicate that three choice criteria (product assortment, promotional activities and service quality) were evaluated higher than the real performance of supermarkets.

This means supermarkets have to come up with activities for improvement of performance in these areas using the possibilities provided by CRM and ECR.

One of the qualitative research methods used in marketing is focus groups. A focus group is an organised discussion that is carried out with a small number of respondents with a trained moderator who gathers information through discussions in an unstructured natural form (Praude and Šalkovska, 2015a, 248). It follows from the definition that information is gathered through discussion and conversations rather than interviews.

Summarising the results of the discussion on the use of previously compiled lists for shopping and related issues the author concludes that the focus group participants' opinions match those of the consumer survey results. There none among the participants who always used or never used shopping lists; there were those that used it often, rarely or very rarely. It could be concluded that the consumer's actions (compilation of lists) is not dependent on the supermarket operations, but rather on the consumer's habits, lifestyle, psychological and other factors. At the same time focus group participants expressed the opinion that supermarkets have to take the specifics of the various target audiences into account. For instance, there was an opinion that convenient product placement on shelves is necessary for consumers who use shopping lists. Although the participants did not use the term "product category management the recommendations relate to these principles. On the other hand, personal assistance or relevant promotional activities in searching for the right products are necessary for those who do not use the shopping lists. There was a consensus among focus group participants regarding service at supermarkets; personnel have to ready to offer assistance starting from helping search for products and the choice of products to explaining product consumption features. The participants supported the opinion that it is useful to place the relevant product signs in the shopping area near the shelves. One could agree with the opinion that target audience who prefer to buy from shopping lists should be motivated to order home delivery of products and develop special loyalty programmes. A rather controversial proposal unfavourable for supermarkets was also expressed as costs would exceed revenue not just in the short term but also in the long term. The discussion was managed in such a manner that activities favourable to supermarkets as well as consumers were discussed and worked out.

Summarising the results regarding purchase of impulse products the author found that two sub groups can be identified among the focus group participants – those who often purchased such products and those that did it rarely. Similar results were shown by the consumer survey. The logical reason for such actions could not be identified; most often the psychological motive or the so called "herd instinct" – everybody is buying and I will to! was mentioned. The author concluded that product/brand recognition or relevant marketing activities had an impact on impulse purchases. This means impulse purchases at supermarkets could be encouraged through integrated marketing

communication – a common communication style and design through all communication channels taking into account the differences in the target audiences. Another thought expressed was that impulse products should be placed in areas of the supermarket where consumer flows tend to be concentrated – cash counters, meat counters etc. The opinion whether the sale of such products were favourable for consumers was also mentioned. The author observed a difference of opinion during the discussion as a part of the participants considered that consumers can successfully avoid the purchase of impulse products whereas others considered that right placement of products can remind consumers about the necessity of such products. There was also an opinion about the desire of supermarkets to just get additional profit from the sale of such products. Very often impulse products are purchased not for personal consumption but for children, friends etc. Therefore, it could be concluded that despite the negative attitude impulse products are beneficial for consumers (particularly those that rarely use shopping lists) as well as for supermarkets (increases their turnover).

Summing up the results of discussion on client cards the author concludes that practically all participants used them and even many cards at the same time. This means trends similar to those identified in consumer surveys were observed. However, participants also underlined the disadvantages of supermarket loyalty cards and put forward proposals for improving the use of supermarket client cards. The author as a result of the analysis of results of focus group discussions summed up some of the main problems of supermarket client cards and possible solutions.

Summing up the results of focus group discussions on brochures offered by supermarkets the author concludes that similar to the consumer survey there was no single unified opinion regarding the use of the brochures among the participants. To a certain extent the diversity of opinions is expressed in the varying actions of consumers. For instance, those who used shopping lists use the brochures but those that do not use shopping lists are not interested in those brochures. All participants who used supermarket brochures highlighted the necessity of distribution of the brochures both at supermarkets as well as by post and/or emails. Those who rarely used supermarket brochures considers that the lack of content and layout are the main disadvantages. The author summarised the complaints and solutions offered during the discussion.

Although the issue of supermarket brochures during the discussion was not directly related to the use of CRM or ECR in their design and distribution, having analysed the results it could be concluded that in fact the use of CRM/ECR could help resolve problems related to the design and distribution of the brochures.

Summing up the discussion results on communication with consumers using mobile phones and/or email the author concludes that almost all focus group participants have such kind of communication (whereas responses “no communication” and “almost no communication” prevailed in the consumer survey). However the participants also mentioned deficiencies in the communication.

Therefore after summarising, processing and analysing the information gathered from the focus group discussion the author concludes that the problems identified and recommendations for enhancement of operations can be effectively resolved with the efficient use of CRM and ECR systems (combining both system into a single – CRM/ECR system) in retail enterprises. The proposals that stem from the expert and consumer surveys were also confirmed. This means there is a necessity for:

- the use of CRM/ECR systems in those retail enterprises who do not have such systems;
- enhance the use of CRM/ECR systems in those retail enterprises who have used only individual elements of such systems.

In essence the focus is on the CRM/ECR system model for retail enterprises. The theoretical aspects of the use of CRM/ECR systems were analysed in the chapter 1, incl. definition, working principles, resources, structure and management stages whereas the chapter 4 is dedicated to the development of a system model and its working methodology from the author's perspective that consists of two mutually interrelated and important parts: introduction the CRM/ECR system and its use in practice.

4. ENHANCEMENT OF INTRODUCTION AND USE OF SYSTEM FOR MANAGEMENT OF CONSUMER RELATIONSHIP IN BALTIC RETAIL ENTERPRISES

Under the current market situation retail enterprises have to enhance their information gathering sources and ways processing the information. Although retail enterprises do that to a certain extent, it is still insufficient. The thesis analyses the effectiveness indicators in the Baltics that indicate the existence of such problems. The evaluation of experts about the situation is also not positive. On the whole the empirical research showed and proved that the introduction and use of CRM/ ECR systems in Baltic retail enterprises is a topical issue that must be resolved to ensure consumer satisfaction on the one hand and the development of the retail sector on the other hand (refer chapter 2). Based on the research results the author concludes that the situation varies from the point of view of introduction and use of CRM/ ECR systems:

- at the state level (based on the Estonian experts' opinions and research results Estonia are the leaders among the Baltic States);
- at the retail chain level (according to expert opinion some retail companies have mastered the CRM / ECR system while some used only its individual elements and others have not implemented the system at all).

Taking into account the specifics of the retail sector, expert opinion on the use of CRM and ECR systems in Baltic retail enterprises and the current situation from the consumers point of view, the author worked out a “Model for management of consumer relationship” which comprises working model⁵ of CRM/ECR system (refer figure 4.1.). The model is based on the identification of retail enterprise processes (related to consumer satisfaction) and design of subsequent activities to build and retain long term goal oriented relationships with consumers. The model comprises the design of data gathering, summarising and a set of actions that would enable the conversion of huge amounts of data into knowledge and its subsequent use in the process of introduction and use of a system for management of consumer relationship. The CRM/ECR system working model consists of three mutually interrelated parts:

- 1) retail enterprise operations;
- 2) suppliers and cooperation partners;
- 3) consumer benefits.

⁵ Model – a simplified diagram of economic system, enterprise etc. (LZA Terminoloģijas komisija).

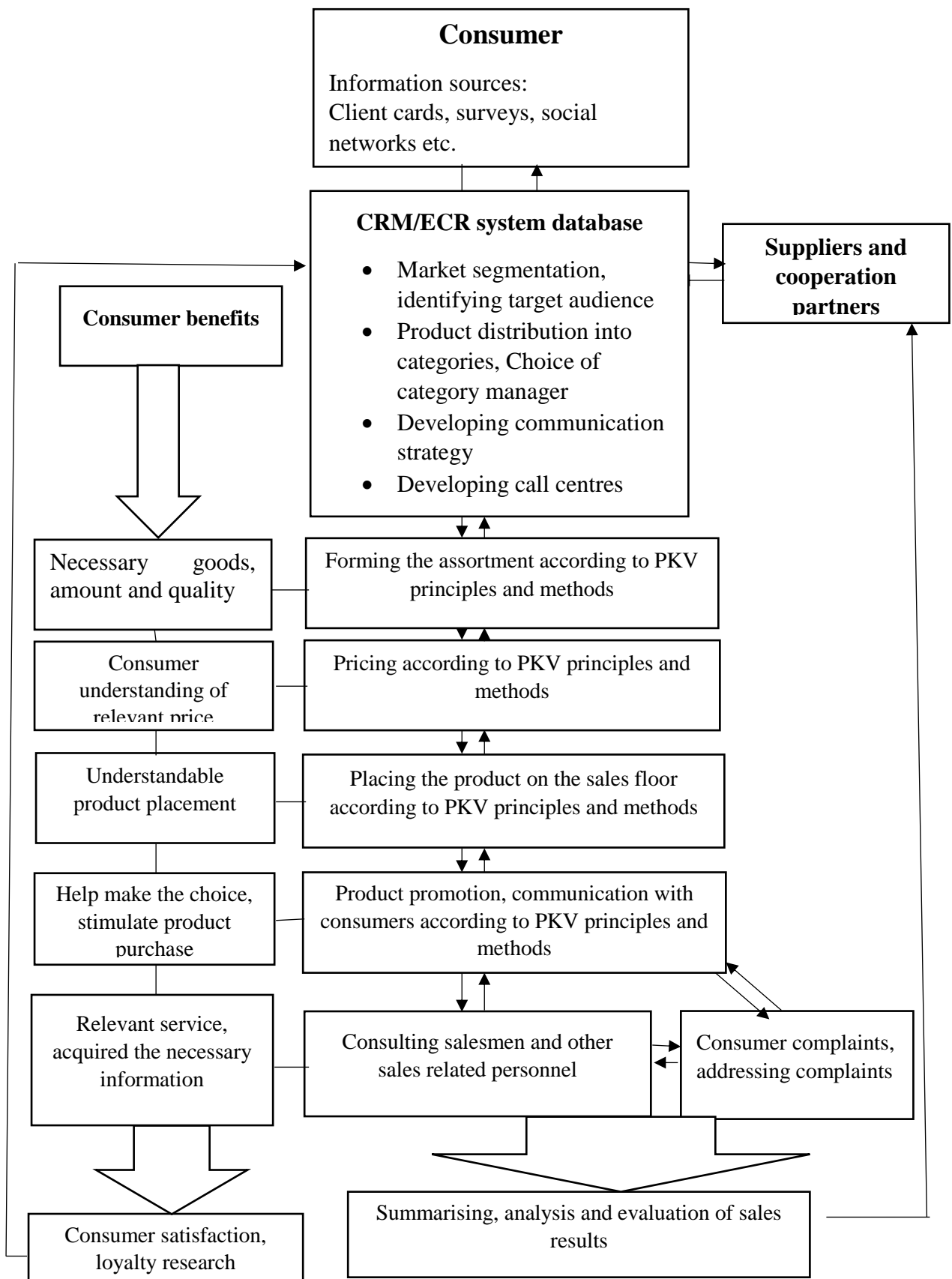


Figure 4.1. Model for management of consumer relationship in retail enterprises

The limitations of the model for management of consumer relationship may be the limited resources available to retail enterprises. In order to successfully implement the model in retail

enterprise operations, the author worked out a methodology for functioning of the CRM/ECR system which is overviewed in the subchapter.

The introduction and use of CRM/ECR system in retail enterprises

The experts responses on the enhancement of CRM in the forthcoming five years received the highest evaluation (refer table 3.2.). Therefore the author considers that firstly it is necessary to work a model for implementation of CRM/ECR system (methodology for implementation in practice). It is useful for those enterprises that already use the system to learn the author proposed methodology and compare it to their approach on these issues and where necessary continue the improvement of the system factors. It is also useful for those retail enterprises that do not have such a system to implement the CRM/ECR system based on the recommendations proposed by the author in this thesis.

According to specialised literature CRM system can be classified into three groups (*Corsten & Kumar, 2005; Salesforce, b.g.; Oracle, b.g.; SAP, b.g.*):

- 1) operational CRM – information gathering on the market situation, competitors, partners, transactions and other external elements and their use together with internal information;
- 2) analytical CRM – information processing and analysis on product sales, marketing activities, consumers etc.;
- 3) collaborative CRM – close organisation of consumer activities with respect to target audience incl. consumer personalisation, initiating dialogue, interactive communication etc.

In the author's opinion from the proposed CRM definition and working principles of the system, retail trade development problems and empirical research it follows that retail enterprises combine all the three CRM functions. The expert assessment of the use of CRM possibilities during the empirical research were average and the use of data gathered, its processing and analysis was evaluated as less than average.

Subsystems of the CRM/ECR system

The implementation of operational, analytical and collaborative CRM would not be fruitful if they fail to achieve the goals of the retail trade and ensure consumer satisfaction and loyalty. It should be taken into account that ECR in essence is an integral component of CRM which cannot be used efficiently and developed without CRM database. Therefore summarising the research works and practical solutions (*Corsten & Kumar, 2005; ECR Europe, b.g.; ECR Baltic, b.g.*), the author worked out and offers the following sequence of actions for the use of CRM/ECR system (refer figure 4.2.).

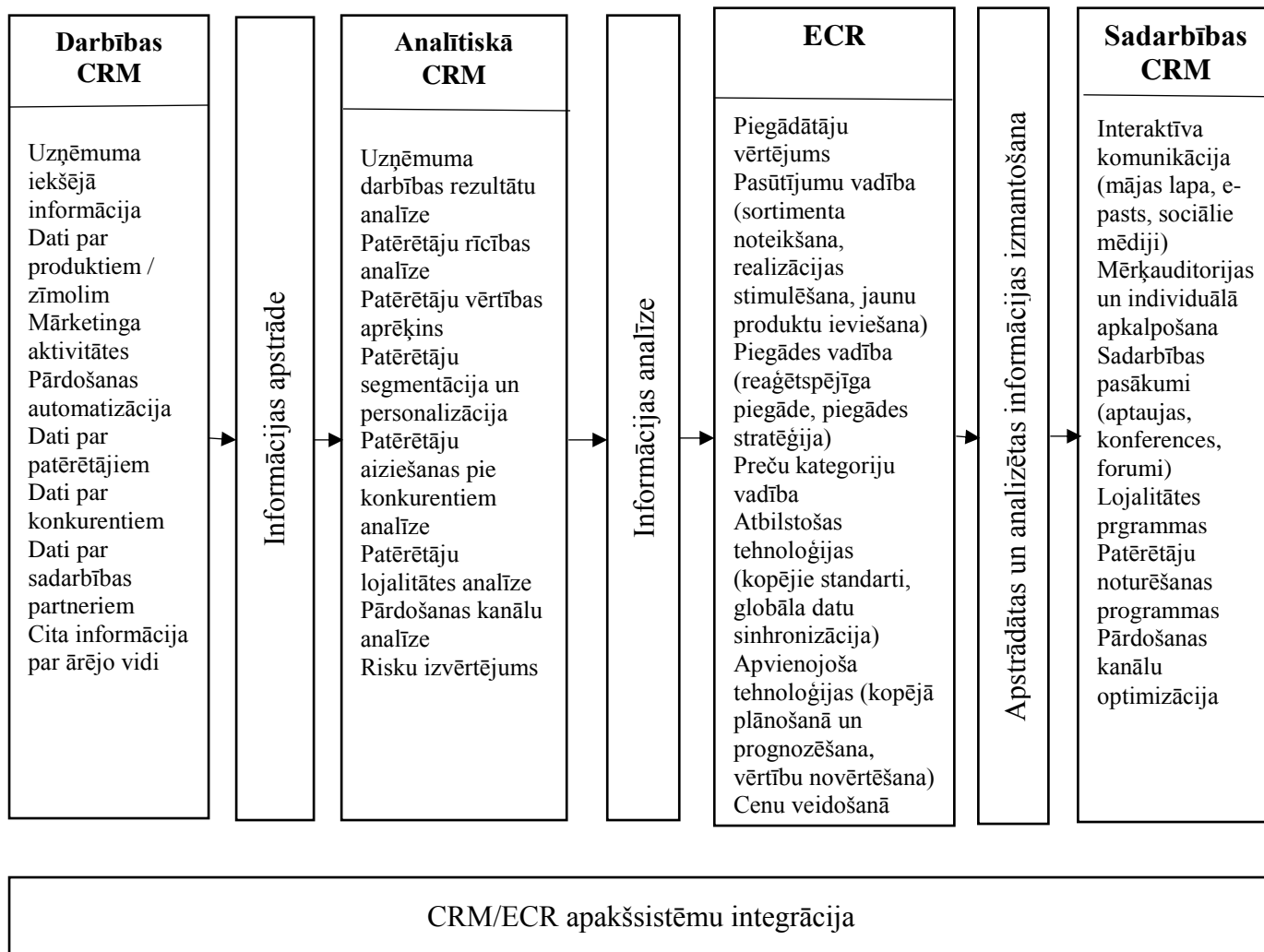


Figure 4.2. Subsystems of CRM/ECR system in retail enterprises

The implementation of CRM/ECR system does not automatically ensure the achievement of enterprise goals and consumer satisfaction. In case of efficient use of the system there are various benefits for the enterprise as well as consumers (refer figure 4.2.). The figure depicts the close interaction between the benefits for the enterprise and consumers as a result of use of CRM/ECR system.

Consumer segmentation and marketing activities.

Enterprises that are preparing to create or enhance the existing CRM/ECR system or its elements should understand that the database on consumers is no less valuable when compared to information regarding products and their promotion. Expert assessment during empirical research regarding the use of this information is lower than average. The basis of the CRM/ECR system is marketing that foresees the promotion of products and its sale to a particular target audience (incl.

individual consumers). This approach foresees the compulsory segmentation of consumers according to definite features.

Product assortment management and building relationships with suppliers.

Following practical conclusions expressed in specialised literature, the author points out the necessity of combining CRM and ECR systems (*Seifert, 2001; ECR Europe's Guide to Collaborative Consumer Relationship Management, 2003*). The author supports the opinion and considers that practically an integration of CRM and ECR occurs in a single unified system. This approach is reflected in the proposed CRM/ECR system. In turn the following points should be highlighted while combining ECR functions in this complex system:

- product assortment management;
- building effective relationship with consumers.

Based on specialised literature (*Бузюкова, 2006*), experience of some retail enterprises and expert survey results the author has worked out the duties of a product category manager (functions) and a list of evaluation criteria.

Consumer service and communication.

Personal service is very important in the retail sector where there is direct contact between the enterprise personnel and consumers. Salesmen and/or other personnel help consumers choose the product, offer advice and other service. At the same time there is communication – a dialogue between the retail enterprise personnel and consumers which significantly affect consumer behaviour in their choice of place where to buy the product.

One of the existing potential consumer service aids that is based on modern ICT is the call centre.

Call centres can also be used for communication with consumers offering them information about products, services, events etc.

The author having analysed special literature, the needs of consumers and cooperation partners has adapted call centre activities to suit retail enterprises taking into account their specifics (*Черкашин, 2014, 255*).

It is very important to understand call centre activities from the consumer relationship perspective. Based on specialised literature and the research carried out the author worked out advantages for retail enterprises in using call centres (*Черкашин, 2014, 255–256*).

Analysing specialised literature on types of communication (*Praude, Šalkovska, 2015b*), shop types (*Praude, 2011, 117*) and consumer opinion the author grouped the communication types in order to achieve the communication goals of building consumer relationships. The specific features of various target audiences play a significant role in communication. In order to achieve it, it is necessary to use CMR/ECR databases on:

- consumer profile;
- consumer behaviour in the market;
- product choice criteria;
- choice of distribution channel;
- purchase motives;
- amount and frequency of purchase.

Based on the above data it would be useful to make corrections in decisions regarding the choice of communication types and their personalisation.

Evaluation of satisfaction, loyalty and system for management of consumer relationship.

Consumer satisfaction and loyalty – are closely connected to system for management of consumer relationship in enterprises (as its elements). It is necessary to evaluate the management system on the whole as well as its separate elements from the theoretical as well as practical point of view. In other words it is about the evaluation of the performance of the proposed system according to certain criteria to analyse its strengths, weaknesses, opportunities and threats and make decisions regarding its future activities (enhance, leave without changes, terminate etc.).

Any evaluation or measurement foresees certain criteria, principles, methods and techniques.

The author reviewed:

- evaluation of consumer satisfaction;
- evaluation of consumer loyalty;
- evaluation of system for management of consumer relationship including evaluation of consumer satisfaction and loyalty.

The main primary data processing and analysis methods that the author recommends for use in retail enterprises are reflected in the table 4.1.

**Processing and analysis methods for evaluation and measurement of primary data on
consumer satisfaction**

Primary data gathering sources	Primary data processing and analysis methods
Consumer survey Expert survey	Determining consumer attitude towards product/brand (<i>M. Fishbein</i> model) The importance of satisfaction factor in determining overall satisfaction Determining penalty/ reward factors
Observations Personnel survey	Service Blue printing Situational analysis of contact
Interview Focus group discussion	Subsequent events methods Critical incident method
Consumer complaints database	Processing and analysing consumer complaints

The regular monitoring of consumer satisfaction and loyalty levels and analysis of enterprise performance helps determine the effectiveness of system for management of consumer relationship in retail enterprises.

Conclusions

The author has drawn the following conclusions taking into account the study of scientific literature and the empirical research carried out – expert survey, consumer survey and focus group discussions. The conclusions are also based on the model designed by the author for system for management of consumer relationship, the factors influencing it and the methodology for implementation and use of the system in retail trade enterprises.

1. It is necessary to differentiate the consumer satisfaction results from the satisfaction formation process. Satisfaction/dissatisfaction is a complex – cognitive, emotional and by intensity different reaction that is formed in relation to the actions during the pre-purchase, purchase and post purchase market stages.
2. Taking into account critical remarks regarding the traditional satisfaction formation process the author has proposed a new version of the model (refer figure 1.7.) that could be the basis for further research. The proposed model is universal and could have several specifics features of its use depending upon the subject under research – retail sector.
3. The traditional satisfaction/dissatisfaction model (refer figure 1.8.) lacks dynamism. Appending the model with dynamic factors and taking into account the specific features of retail trade, the model could serve as the basis for management of consumer relationships.

4. Loyalty is the result of consumer perception of the offer (goods, service, brand etc.) that leads to a positive attitude (cognitive, conative and affective) and actions favourable for the enterprise towards the offer (repeat purchases, additional purchases, high consumption intensity etc.).
5. The categories “consumer satisfaction” and “loyalty” are closely interrelated. Based on that fact, determining its specifics in retail trade, analysis specialised literature, pilot research and the author’s experience, the author has worked out and proposes a conceptual consumer loyalty model for practical implementation (refer figure 1.17.). Similar to the satisfaction/dissatisfaction model the loyalty model should serve as the basis for management of consumer relationships (refer figure 1.18.).
6. There is an evolution in theory and practice on systems for management of consumer relationships in retail trade (refer figure 1.19.). The development of CRM and ECR in retail trade is going on. CRM is an enterprise strategy to attract, differentiate, serve and retain consumers by understanding and satisfying consumer needs, developing long term cooperation based on creating and maintaining consumer database. ECR system elements and fields are being integrated into the CRM system (refer figure 1.22.).
7. In order to understand the factors influencing management of consumer relationships an analysis must be carried out from three aspects:
 - macroeconomic aspect;
 - microeconomic or sector aspect;
 - business aspect.
8. Having analysed retail sector development in the Baltics states from the macroeconomic aspect (contribution to GDP, output value, added value) it should be stated that Latvia is yet to use all the possibilities while performing an intermediary function within the distribution channel and promoting the increase the quality of satisfaction of consumer needs.
9. Having analysed retail sector development in the Baltics states from the microeconomic aspect (sector) (number and type of enterprises, no. of employees, turnover), it should be stated that the retail sector similar to other sectors is subject to economic cycles. However, any kind of fall has more impact on this sector compared to others as it is dependent on the producers’ offer as well as consumers’ demand regardless of the growth pace fluctuations.
10. On the whole retail trade in the Baltics is characterised by a relatively high growth rate that is reflected in the increase in no. of enterprises, no. of people employed and the turnover during the research period. However, over the recent years the growth rate has not been as rapid as that observed over the period 2005 -2008. Lithuania and Estonia achieved the 2008 level in 2014 but the rate is below the 2006 level in Latvia which means that Latvian retail enterprises have to

prioritise their internal reserves (incl. management, marketing and consumer relationships) while planning their development strategy to achieve at least the 2008 level.

11. Having analysed retail sector development in the Baltics states from the business aspect (profit/loss, efficiency indicators) (refer figure 2.16.–2.21.) Estonian retail sector has the highest efficiency. The situation in the Latvian retail sector in 2014 compared to 2005 has worsened in this context.
12. Unfortunately, a lot of enterprises instead of increasing their efficiency choose to use unfair and/or illegal practices achieve their business goals. This can be seen from research on the so called shadow economy index (EEI), which is calculated as percentage of the. Latvia is the leader among the Baltic States regarding shadow economy in the retail sector. While there was a positive trend from 2010 to 2013 with EEI decreasing by 20.4 %, the indicator increased by 8.1 % in 2014. It should be noted that the index was only 12.4% in Estonian retail sector, which has the highest efficiency (refer table 2.1), in 2014. Moreover EEI shows a constant decreasing trend in the neighbouring countries. This means that companies can reach their goals applying legal and transparent business methods, incl. in the field of consumer relationship management. Management of consumer relationships should be used to decrease the shadow economy, which is reviewed in this thesis.
13. On the whole the processing and analysis of expert survey results using SPSS leads us to the following conclusions:
 - The expert survey preparation process, i.e. the choice and selection of experts, drafting of the questionnaire and its distribution point out to the objectivity of the processing and analysis of expert survey results;
 - The level of use of CRM in Baltic retail enterprises is insufficient from the consumer satisfaction and loyalty formation perspective and therefore it is necessary to enhance and develop this system;
 - CRM with regards to marketing activities of the enterprise – product promotion, communication observing the specifics of the target audience etc. – are at a very low level which is in conflict with the overall aims of satisfying consumer needs and building loyalty.
 - All the surveyed experts indicated the planning of CRM/ECR system enhancement measures in the forthcoming 5 years;
14. On the whole the processing and analysis of consumer survey results using SPSS leads us to the following conclusions:

- Consumers have a relatively low level of loyalty towards supermarkets in the Baltics. Retail enterprises do not use all the options available yet to attract and retain consumers incl. the using of CRM and ECR;
- 77% of consumers buy more than once a week (average purchases on a regular basis); 57% spend 15–30 minutes in supermarkets, 22% – 30–60 minutes.
- Product assortment indicators, product placement and convenience, pricing, promotional activities and consumer service quality are mainly average and the low consumer evaluations indicate the inefficient implementation and use of CRM and ECR systems in supermarket operations;
- Various target audiences from the purchase according to previously compiled shopping list and the impulse purchase point of view indicate the necessity for consumer research and needs satisfaction using the possibilities offered by CRM and ECR;
- Mainly positive attitude of consumers towards consumer loyalty cards and simultaneous use of several cards under circumstances of competition demand the enhancement of supermarket operations with suppliers, cooperation partners;
- Correlation coefficient calculations between the demographic and economic indicators on the one hand and their evaluations of product assortment, product placement and convenience, pricing, promotional activities and consumer service quality on the other hand indicate that the correlation is both positive and negative but mainly weak or very weak;
- The comparison of factors influencing the choice of supermarkets to the evaluation of supermarket performance indicate that three choice criteria (product assortment, promotional activities and service quality) were evaluated higher than the real performance of supermarkets.

15. The following conclusions stem from processing and analysis of the focus group discussion:

- Consumer dissatisfaction is caused by the complexity of terms and conditions of use of supermarket client cards;
- The approach in communication with consumers through e-mails and mobile phones is predominantly the same towards all consumers having the same supermarket client cards with identical information using databases being sent to them without differentiating the target audience according to their specific features;
- There is no feedback on activities concerning supermarket client cards and consumers are not informed about the results of the activities;
- There is poor use of individual communication with client card owners although a database has been created due to the client cards.

16. The implementation of CRM/ ECR system in retail enterprises will ensure the basis for management of consumer relationships but its efficient use is very important. The following CRM/ECR system functions were analysed in the thesis:

- Consumer segmentation and marketing activities;
- Product assortment management;
- Building relationship with suppliers;
- Consumer service and communication;
- Planning sales floor layout and product placement.

17. Consumer segmentation based on the CRM/ECR database can be carried out according to the following features:

- geographic;
- demographic;
- socioeconomic;
- national and cultural;
- behaviour;
- personal.

It is not necessary to use all the reviewed segmentation types according to the determined features.

18. Summarising the information gathered from CRM/ECR databases and the enterprise homepages it is useful to carry out the following activities for management of consumer relationship in retail trade– forecasting future consumer behaviour, consumer personalisation, consumer value calculations, optimisation of communication types, use of event marketing, creating consumer retention programme, promoting the purchase of additional products, optimisation of sales channels.

19. From the proposed CRM definition and working principles of the system (refer subchapter 1.5.), retail trade development problems (refer chapter 2) and empirical research (refer chapter 3) it follows that retail enterprises combine all the three CRM functions – operational, analytical and collaborative.

20. The key ECR functions within the CRM/ECR system is product assortment management and building effective relationship with consumers and suppliers.

21. Product assortment management by category significantly differs from traditional assortment management (refer table 4.6.) and ensures the satisfaction of consumer needs and loyalty as well as high service quality. In accordance with CRM/ECR system functions and database it is useful to observe the following stages in product assortment management by category:

- Structuring product assortment;

- Highlighting and creating product category within the assortment;
 - Determining product category structure;
 - Balancing product category;
 - Pricing within the product category.
22. Call centres that are based on modern ICT are a significant tool in implementing the enterprise's communication strategy. Call centres have several advantages (refer figure 4.12) related to building and maintaining relationships with consumers.
23. Communication with consumers should be carried out taking into account the specific features of the target audience and using data from CRM/ECR system databases.

Summarising the information gathered during the doctoral research the author concludes that the **hypothesis** is confirmed as a comprehensively implemented and efficiently used CRM/ECR system is the basis for management of consumer relationships in retail enterprises to ensure consumer satisfaction and high loyalty level towards the enterprise, products and brands.

Recommendations

In order to ensure efficient performance of system for management of consumer relationships in retail enterprises the author has put forward the following recommendations that have been divided into various blocks.

For state institutions

1. Latvian state institutions should work out regular (at least once a year) preventive measures to combat shadow economy, e.g. design informative materials on consumer rights and duty of retail enterprises to pay taxes, which will increase awareness of rights and duties of all stakeholders and only the elimination of shadow economy would ensure fair competitiveness.
2. Latvian state institutions should work out events to decrease the shadow economy and ensure fair competition. As tax evasion is one of the basic aspects of the shadow economy which is often achieved through modified programming of cash registers, the author is of the opinion that liability for such activities should be partially laid on not just retail enterprises but also on software providers.
3. Baltic state institutions should hold international conferences on the experience of other countries in ensuring fair competition in the retail sector to show that enterprise goals can be achieved through fair means.

For trade associations and other organisations

1. In order to decrease the shadow economy in the retail sector Baltic trade associations should within their abilities work out internal regulations, e.g. code of ethics for observing and ensuring fair competition.
2. Taking into account the positive experience of use of CRM/ECR system in certain enterprises it is necessary that certain unions incl. Baltic trade associations organise events (conferences, seminars, forums, master classes) to share these practices and experience with other retail enterprises.
3. Baltic trade associations should carry out research on the education level of retail enterprise employees and factors influencing it in order to obtain a real insight of the education level in retail enterprises.

For retail enterprises

1. Baltic retail enterprises should implement and use the system of management of consumer relationships using the model (refer figure 4.1.) and methodology designed by the author.
2. It is useful to carry out the implementation or enhancement of the CRM/ECR system according to the model designed by the author (refer figure 4.2.), taking into account certain situations and factors (refer table 4.2) as well as objective and subjective hurdles (refer table 4.2.):
 - Implementing or enhancing CRM/ECR system to work out a plan for ensuring its proper functioning by identifying problems and goals;
 - An organisational structure comprising an CRM/ECR system implementation manager, management committee, performance quality control , technical support, analytical group and technical consultant should be developed for implementing the CRM/ECR system;
 - Create a CRM/ECR system database summarising information from consumers (information gathered through client cards, consumer surveys, social media networks analysis etc.) suppliers and other stakeholders which would be the basis for identifying the target audience, consumer segmentation etc. to ensure the satisfaction of consumer needs.
3. Retail enterprises should use assortment management by category in their operations to ensure consumer satisfaction and loyalty as well as high quality service. In order to ensure successful flow of the process the author has worked out a handbook product assortment management by category and its flow chart (refer figure 4.13.).
4. For product category managers:
 - Together with the enterprise management, suppliers and producers and taking into account the specifics of the target audience using CRM/ECR system database on

consumer profile, consumer behaviour, product choice criteria, choice of distribution channel, purchase motives, amount and frequency work out pricing policies for one's product category products that would ensure that consumers understand the products in relation to its price, use and quality;

- Find and determine optimum quantities and placement in sales floors that would improve the convenience for consumers and thus enhance satisfaction with the purchase process;
 - While designing communication with consumers and promotional activities to use the classification of communication types worked out by the author in accordance with the communication goals and shop types (refer table 4.12.) and carry out events to measure and evaluate their effectiveness;
 - Cooperate with product suppliers and producers, provide informative consultancy to sales assistants and other sales floor workers as well as work out events for encouraging and motivating these employees as well as increasing service quality and consumer satisfaction.
5. Communication with consumers in retail enterprises should be designed and carried out taking into account the specifics of the target audience, using data gathered from CRM/ECR databases on consumer profile, consumer behaviour, product choice criteria, and choice of distribution channel, purchase motives, amount and frequency of purchase.
 6. Use the flow chart (refer figure 4.12) designed by the author for retail enterprise call centre operations to ensure the flow of qualitative and timely information among all stakeholders.
 7. Employees in retail enterprises responsible for measuring and evaluating consumer satisfaction should use both processed as well as primary data (refer table 4.13), use enterprise performance indicators, consumer surveys, expert surveys, observations, enterprise employee surveys, focus group discussions and consumer complaint databases. Complaints management should be designed as a subsystem of CRM/ECR system.
 8. Employees in retail enterprises responsible for evaluating consumer loyalty may find it useful that to use the following three methods – NPS method, *D. Aakera* method and statistical method that provide comprehensive understanding of consumer loyalty and possibilities of its enhancement.

For research agencies

1. Baltic state research agencies should work out a research methodology for measuring consumer satisfaction and loyalty in retail enterprises taking into account the specifics of the local market and consumer behaviour.
2. Baltic state research agencies should offer retail enterprises standard research on consumer satisfaction and loyalty.

For higher education institutions

Study programmes of Baltic higher education institutions related to marketing and sales management should within the framework of study courses on sales processes include training and education in CRM/ECR systems and its working principles as one of the primary factors ensuring competitiveness of retail enterprises.

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