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Article

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Article

Competitive Factors of Fashion Retail Sector with Special Focus on SMEs

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Abstract: Nowadays small and medium sized enterprises have become increasingly important in contribution to job creation and economic growth both in national and European level. Considering the rapidly and continuously changing business environment, due to the impacts of globalization and concentration, staying competitive is a great challenge for companies in the 21st century, especially in fashion retail sector. The current paper is intended to map the current situation of the sector—focusing primarily on SMEs—through the extensive literature review; and provide a better understanding of sector-specific competitive factors in fashion industry. The research methods are the analysis of different related articles, reports and other scientific literature sources, in-depth interviews and questionnaire survey. The survey was validated by confirmatory factor analysis, data were analyzed and evaluated through PLS-SEM model. The main findings of the study show that the most important competitive factor is the compliance with consumer needs. Furthermore, the research also points out that SME sector lag behind chains, thus, they need to focus more on better understanding and meeting consumer expectations. In this activity, it would be useful if they received EU and domestic support for educational assistance.

Keywords: fashion; retail; competitiveness; PLS-SEM; small and medium sized enterprises (SME)

JEL Classification: D22

1. Introduction

In recent years, the role and importance of small and medium-sized enterprises has become increasingly important, not only at national level but also at European level. Although small and medium-sized enterprises operate mainly at national level, SMEs are affected also by existing EU legislation in different areas, regardless of the scope of their business. Based on the statistics of the European Parliament 99% of EU companies are micro, small and medium-sized enterprises (SMEs). They provide two-thirds of private-sector jobs and contribute more than half of the total added value created in the Union. The nearly 23 million SMEs generated €3.9 trillion in value added and employed 90 million people in 2015 and are a vital source of entrepreneurship and innovation for the competitiveness of EU companies (European Parliament 2020). Therefore, SMEs have a significant contribution to job creation and economic growth and thus, to social welfare. Various action programs have been set up in the EU to support SMEs, such as the Small Business Act, Horizon 2020 and COSME. They aim to increase the competitiveness of SMEs and make it easier for them to access finance through research and innovation (European Parliament 2020).

The textile and fashion industry is one of the oldest and most globalized sector in the world, and nowadays it plays a key role in the development of the economy and trade. Although the number of SMEs operating in fashion retail sector is significant, their existence is endangered due to the spread of global value chains. Recently, competition has increased in all sectors, especially in fashion industry. Increasing competition, slowing demand growth at different rates in developed countries, but growing incomes and wages in developing countries have created a new situation, rearranging both the demand and supply sides of the market. The factors of the companies' strategy have expanded, changed and their ranking has also been modified.

Considering the rapidly changing business environment, staying competitive is a key issue and challenge for companies in the 21st century. Consequently, it is useful to explore the competitive factors that are dominant in the sector. It can be clearly seen that the integration of domestic fashion retail into global value chains took place extremely quickly after the change of regime—endangering the existence of SMEs. As a result of growing income disparities, international fashion trends and changes in technology, consumer preferences have also changed. The domestic sector is characterized by a high degree of concentration, the dominance of foreign companies, the expansion of larger stores, hypermarkets and discount chains in clothing sales, the exclusion of domestic small and medium enterprises (SMEs), and its negative impact on employment. In the last 5 years, domestic fashion retail sector has roughly doubled, while the number of retailers has decreased by 30%.

In the 21st century, the 4th Industrial Revolution will radically transform the sector. New technologies such as IoT (Internet of Things), Big Data, 3D printing, robotics, smart sensors, artificial intelligence (AI), and cloud computing have emerged. These technical solutions have become one of the most significant competitive factors—all of them are knowledge and capital intensive, require a change in management, transform the relationship between the actors in the chain, in addition, their application or non-application is a significant differentiating factor between market players (Bertola and Teunissen 2018). Nowadays, the companies' strategy focuses on market orientation, the relationships with the stakeholders influencing the company's results (relational capital), of which customer relationship management (CRM) stands out (Chen and Popovich 2003) and in the use of technology in serving the online and offline customers (Victor et al. 2018). Consumer satisfaction and customer loyalty have become one of the key immaterial resources of the companies (Kandampully et al. 2015). Nowadays, loyal customers have become a capital element and one of the key success factors in the life of companies. Therefore, accurate knowledge of and compliance with consumer needs and expectations is essential for successful businesses.

The main research aim is to identify the most important competitive factors in fashion retail sector. In order to achieve this objective, a consumer behaviour analysis was performed. Moreover, the study also offers a brief introspection into the situation and current operation of chains and solo businesses in fashion retail sector.

To this extent, this research is structured in the following order. Section 2 presents the literature review where previous seminal works in fashion retail and SME are systematically discussed with a special focus on expounding competitiveness in the sector. Section 3 presents the research methodology where the research framework and data collection procedures are discussed. Followed by Section 4 which presents the research findings and result of hypothesis testing. Finally, Section 5 concludes this study by highlighting its main contribution to the field of fashion retail and SME, and presents the agenda for further research in this sector.

2. Literature Review

2.1. Competitiveness

The Twenty First century began with several events that significantly increased uncertainty and caused business risk and loss of confidence in the business sector (financial crisis of 2007–2008, wars, terrorism, migration, labor shortage, industry 4.0, increasing globalization and concentration, climate

change etc.). Globalization accelerated in the 1990s, characterized by the rise of large international corporations, strong concentration, and the emergence of oligopolistic markets, resulting new theories and areas in empirical research (Krugman and Obstfeld 2003). In this rapidly changing world, competition is intensifying more than ever, new dimensions of competitiveness are emerging, giving increased importance to their research on a theoretical and practical level.

There is no generally accepted and comprehensive definition of corporate competitiveness—on the one hand the success of organizations and institutions and the ability to adapt to environmental challenges, which are external factors of competitiveness, and on the other hand the companies' resources, competencies and their activation to achieve the corporate goal. A number of researches have been done in this research area so far. Akimova (2000) emphasized the multidimensional nature of competitiveness. In his view, the company needs to strengthen itself in all areas that increase its comparative advantage against other companies. According to Edmonds (2000) competitiveness means producing a good product and providing a good quality service at the right price in the right time. In addition to their own competence, the success of companies always depends on the characteristics of the competitors, the market situation, the structure and other factors (e.g., institutional) that affect the company's operating conditions (Klapalová 2011). Furthermore, Barakonyi (2000) highlights the complexity and temporally and spatially changing content of the concept of competitiveness. Several authors try to capture competitiveness by grouping based on factors and areas of competition (Barney et al. 2001; Ireland and Hitt 1999). Despite the many different concepts, there is no doubt that intellectual capital is one of the most important resources of the knowledge society, one of the main factors of competition (Csath 2019; Pálfi 2019; Csath et al. 2018; Makó et al. 2018; OECD 2011; Subramaniam and Youndt 2005; Zatta et al. 2019).

In addition to examining the international situation and the impact of global value chains, the research focuses on the sales side of the value chain, i.e., the retail business. Global supply chains have become demand-driven, thus, retail companies also have a big impact on production processes, as they generate demand and mediate consumer demand on the production side of the value chain (Gereffi and Fernandez-Stark 2011). In the recent time period, due to increasing concentration and despite the expanding retail turnover, the existence of small and medium-sized enterprises has become endangered. For this reason, it is important to identify sector-specific competitive factors, which is the central objective of this research study.

2.2. Characteristics and Competitive Factors of Fashion Retail Sector

The global textile and fashion market is one of the most important sectors of the economy in the world based on the size of investments, turnover, contribution to GDP and employment. Fashion industry is characterized by an extremely wide range of products, very short product cycles and unpredictable changing demand, as well as inflexible and long delivery times (Statista.com 2019). Global textile industry performance is estimated at \$842 billion by 2020, with an annual growth of 4.8% between 2015 and 2020 (WTO 2018). In fashion industry, the largest global apparel market in 2017 was the European Union with \$374 billion, followed slightly by the US and China. One of the main difficulties for businesses operating in fashion industry is the complete globalization of the sector (Robine 2017).

The main competitive factors of retail clothing stores can be divided into two groups: external factors (margin, rent, brand awareness, financing, goodwill) over which the company has no influence in the short term and internal factors it has (knowledge of consumer needs and compliance with, store design and atmosphere, customer loyalty and satisfaction, sales staff, supply chain, marketing, change management, digitization solutions).

- Trade margins have a significant impact at both micro and macro levels, affecting inflation, companies' sensitivity to macroeconomic variables, companies' innovation activity, investments and potential economic growth (Haldane 2018; Hambur and Cava 2018).

- Retailers typically rent out their stores. The location of the store is probably the most important and costly decision a retailer must make in order to achieve long-term success (Öner 2014). The rent structure depends on the retailer's and the owner's attitude to risk and expectations about the future economic situation (Brueckner 1993).
- Numerous studies have shown that goodwill included in intangible assets has a positive effect on corporate performance and value (Kliestik et al. 2018; Rodov and Leliaert 2002; Satt 2016; Ocak and Findik 2019).
- Brand awareness affects several competitive factors, e.g., for margins or rent conditions. Liu (2008) pointed out in a previous empirical research, that there is also a strong relationship between brand image and customer loyalty.
- The correlation between company size and profitability has been examined several times by researchers, but with different results (Doğan 2013; Lee 2009; Niresh and Velnampy 2014). Based on Doğan's literature research, the vast majority of researchers found a positive correlation between firm size and profitability (Hall and Weiss 1967; Saliha and Abdessatar 2011), and a smaller proportion of researches found negative correlation or no correlation between the two factors at all (Whittington 1980; Banchuenvijit 2012).
- Studying internal factors, it is important to notice that each company has the interest to sell as many products as possible at the highest possible price. In order to do achieve this goal, they need to have as many customers as possible who come back to their stores more than once and repeat the purchase more than once. In the recent period, marketing principles have undergone many changes and as a result, the focus has shifted to customer needs and consumer expectations (Kumar et al. 2012; Ismail et al. 2015; Andersen et al. 2020). Environmental factors, for example, can significantly increase consumer satisfaction through a calm, anxiety-free atmosphere that also helps build a relaxed relationship with sellers, while increasing sales (Hosseini and Jayashree 2014).
- Several authors have confirmed that sellers can have a significant impact on customers because they reflect corporate core values and the company back in their work, they affect the company's image, market share and profit (Meyer et al. 2016; Bamfo et al. 2018). Nevertheless, MacGregor et al. (2020) found significant differences between the attitudes of owners/senior managers and low-level management to marketing, innovations within CSR activity.
- Consumer satisfaction is one of the most important tools for a successful business. Pakurár et al. (2019) analyzed the effect of service quality dimensions on customer satisfaction in bank industry and they found that employee competences are among the most important issues. Achieving consumer satisfaction and loyalty is a basic element of corporate strategy, a tool of gaining a competitive advantage (Kenesei 2017). Consumer loyalty is a kind of barometer that predicts future customer behavior (Hill et al. 2007; Zineldin et al. 2014).
- In addition to increasing competition and the development of digitalization (Gazzola et al. 2020), consumer awareness has also strengthened and created a situation in which product quality and optimized pricing are no longer enough for long-term success. Companies can already build their success on long-term customer relationships. Many studies demonstrate that acquiring a new customer costs up to six to eight times more than retaining a customer (Rosenberg and Czepiel 1984; Matzler and Hinterhuber 1998), hence, researches places more emphasis on retaining customers than acquiring new ones.

2.3. Related Empirical Studies Using SEM Model

In the past, the methods of multivariate regression and factor analysis were most often used to detect interdependencies in the analysis of the research problems examined. In recent years, the application of the Structural Equations Model (SEM) has become widespread, especially in the social sciences that examine the behavior of different actors such as consumers. In the following section the most relevant researches and their findings will be listed and summarized.

Cachero-Martínez and Vázquez-Casielles (2018) analyzed the relationships between different customer experience dimensions, customer engagement and time spent in store. Their research findings show that customer experiences stimulate engagement and length of time spent in the store. The frequency of a visit has a moderating effect: the more frequent the visit, the more intense the impact of the shopping experience on customer engagement. Interaction with employees and other customers has a significant impact on customer engagement and loyalty.

The analysis published by Suebsaiaun and Pimolsathean (2018) confirmed that the quality of the service has a positive effect primarily on customer satisfaction and customer satisfaction has a significant effect on the development of customer loyalty. Furthermore, there is a correlation between the use of eCRM system and the level of social responsibility. Customers are willing to spend more at companies that are socially and environmentally responsible.

According to Shih and Yang (2019) professional relationships, networking skills, and knowledge management strategies enable companies to acquire the right resources and skills and then improve the performance of their relationships.

Giovanis and Athanasopoulou (2016) stated in their research that perceived value and customer satisfaction to a large extent, trust to a lesser extent affects customer loyalty. Moreover, the direct effect of perceived value on customer loyalty is lower than its indirect effect through satisfaction and trust. Also they recommended to strengthen the relationship with special product lines and customer loyalty programs in case of older consumers. Customer experience-oriented customers are mainly female consumers, so in this segment, in addition to the right products, the focus must also be on providing experience during shopping (atmosphere, staff). Young consumers (mainly women) with low incomes have strong loyalty to fast fashion. Value-oriented customers are the largest segment, they focus on price/value ratio and are not loyal to the brand, they can easily switch to finding a better deal.

Rajagopal (2011) conducted a study in Mexico, and found that fashion-loving customers generally prefer multibrand retail outlet centers and designer brands, spending time and money to find the right products. Store and brand preference has a positive effect on the increase in repurchase intention.

In contrast, Ruane (2014) examined another segment of fashion retail, but the factors explored contain more overlap with the factors analyzed in this current research paper. The researcher found positive correlation between susceptibility to interpersonal influence (SUSCEP) and self-expression. Generation Y, which is both low-income and insisting on the latest fashion products, is loyal to fast fashion brands. Social media has a greater impact on the fashion consumption of this generation than interpersonal relationships. The study points out that social media further increases consumption in case of his group because the members of this generation do not want to appear twice in the same outfit online. The research also revealed that those who are more sensitive to interpersonal influence are also more influenced by social media. The research found a positive correlation between brand community and brand loyalty, and between brand community and word of mouth, however, the relationship between brand community and brand love was not proved.

According to the research published by Lee et al. (2019) the brand as a symbol has a positive effect on the perceived price/value ratio and the perceived price/value ratio on consumer loyalty. The brand as a symbol has a positive effect on the experiential value.

Based on these literature discussions as above, this study forwards the following hypotheses for testing in this study:

Hypothesis 1 (H1). *Customer satisfaction is significantly influenced by complaint handling.*

Hypothesis 2 (H2). *Customer loyalty has a positive impact on the desire to be brand ambassador.*

Hypothesis 3 (H3). *There is a positive impact of CRM towards purchase satisfaction.*

Hypothesis 4 (H4). *There is a positive impact of online presence towards customer satisfaction.*

Hypothesis 5 (H5). *Promotions has a positive impact on purchase satisfaction.*

Hypothesis 6 (H6). *Purchase satisfaction directly influences the desire to be a brand ambassador for the store.*

Hypothesis 7 (H7). *Purchase satisfaction directly influences customer loyalty.*

Hypothesis 8 (H8). *Sales staff has the greatest impact on purchase satisfaction.*

Hypothesis 9 (H9). *Shopping ambience has a positive impact on customer purchase satisfaction.*

Hypothesis 10 (H10). *Easy navigation in store has a positive impact on purchase satisfaction.*

3. Methodology

The research methods consists of the analysis of different related research articles and other literature sources and also a questionnaire survey was performed. Figure 1 illustrates the detailed research framework for examining consumer expectations.

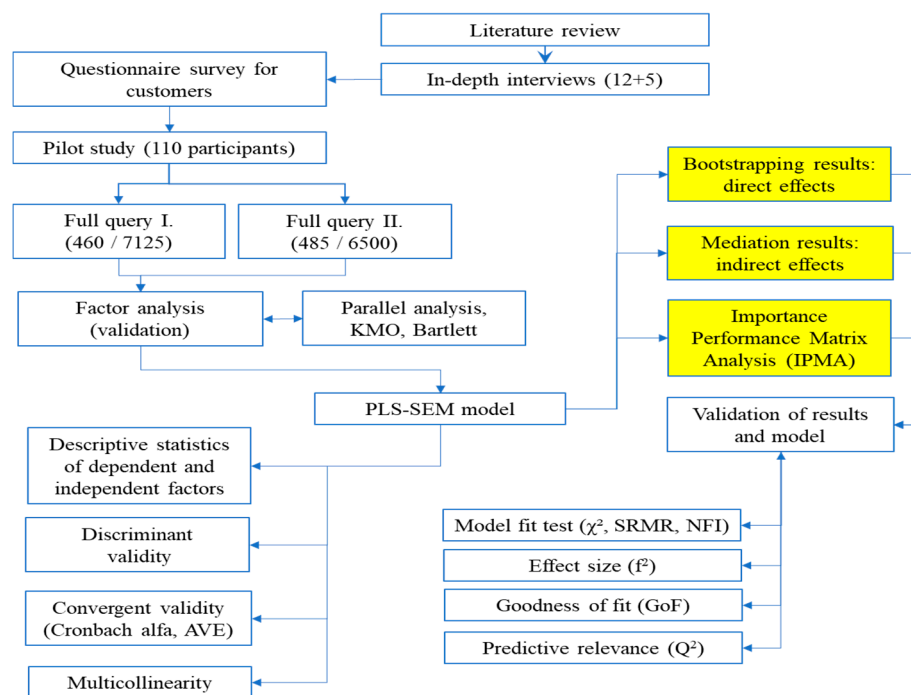


Figure 1. Research framework for examining consumer expectations. Source: Authors' own work.

The analysis of consumer expectations was based on quantitative research, and a questionnaire survey was used for data collection. First of all, the factors influencing consumer behavior and their indicators were identified, based on related literature sources and formerly performed in-depth interviews. Based on the extensive literature review and in-depth interviews, compliance with consumer needs was identified as the most important success factor in fashion retail sector. To examine consumer preferences, behavior and attitudes, the e-mail addresses of 15.211 customers provided by the database of Pannónia Representation Ltd. (a company dealing with the trade and representation of premium clothing, located in Budapest, Hungary) were used in three steps. The first two of them—as pilot study—served to finalize the questionnaire and research methodology. In first step 110 completed questionnaires were analyzed in order to finalize the survey. Data collection was performed using an arbitrary sampling method. In second round, online questionnaire was sent to 6300 e-mail addresses via Mailchimp mass mailing system—due to results research methodology was modified and finalized.

Only data derived from final questionnaire sent to the rest of e-mail addresses via Mailchimp (third step) were used during data analysis using PLS-SEM method. In order to validate the questionnaire survey, a confirmatory factor analysis was conducted.

The structure of the final questionnaire survey is the following: the first part contains 5 questions (demographic data) to present the sample. This is followed by 45 questions, which served as indicator questions for the factors of the structural model. Purchase satisfaction which serves as a second order construct in this research framework was measured separately with 4 indicator items. In this section, respondents rated the importance of each factor on a five-point Likert scale. In the last question, it was possible to explain to Pannónia Representation Ltd. how they could improve their service to their customers.

Based on the available database, data analysis was performed using the PLS-SEM method. The greatest advantage of this method is that in addition to the direct effects between the variables, indirect effects can also be studied. Therefore, it was possible to examine how variables exert their effect on the target variables through other (mediator) variables. SEM was modelled with SmartPLS version 3.2.8 software (SmartPLS GmbH 2019; Wong 2013; Ringle et al. 2015; Nathan et al. 2019; Victor et al. 2019). Figure 2 illustrates the inner and outer model of the research framework.

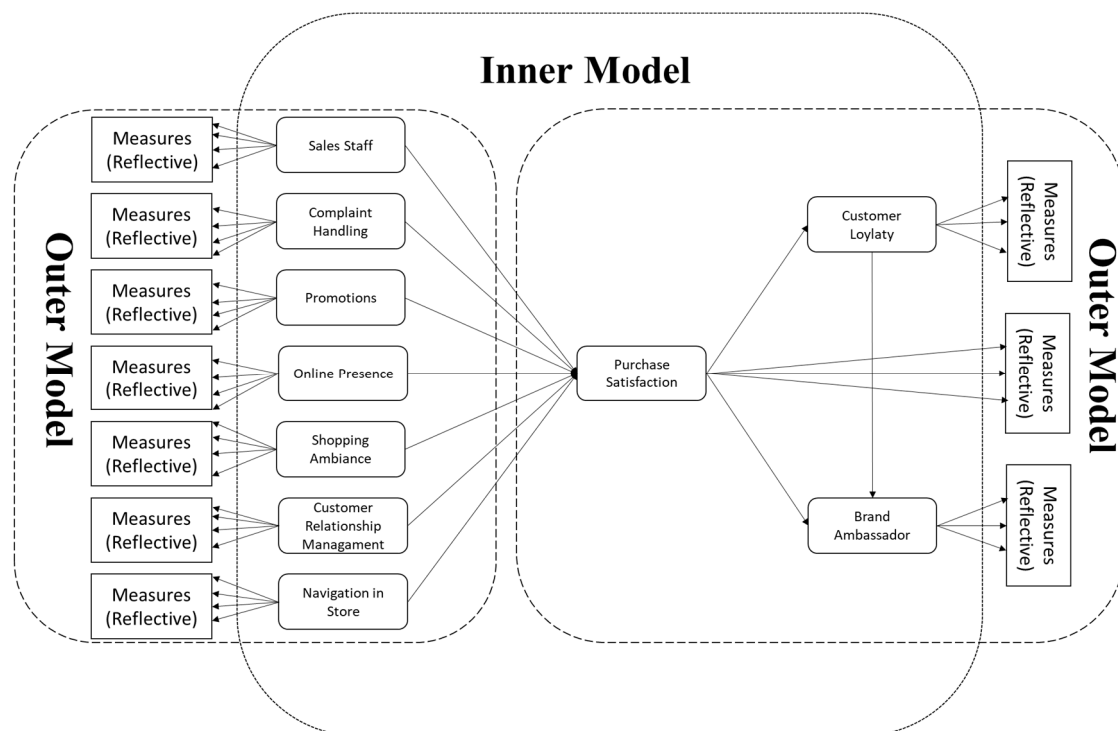


Figure 2. The inner and outer model of research framework. Source: Authors' own work.

4. Results and Discussion

Based on the secondary research it can be clearly seen that companies need to be aware of consumer expectations and integrate these identified elements into their strategy. Partly based on literature review and partly based on in-depth interviews with fashion retail store managers and owners, so-called sector-specific competitive factors have been identified during the research. Therefore, both sides were examined simultaneously in this current research paper—from consumer side the factors responsible for consumer satisfaction and the development of customer loyalty were identified, and from retailer side these identified factors were ranked based on their priorities affecting customer loyalty. The main identified factors ensure the success of fashion retailers and their development potential. Consequently, the research results will be presented through the analysis of consumer behavior, expectations, loyalty, and business practices.

4.1. Demographic Characteristics of Respondents

Before describing the demographic characteristics, it is essential to notice that respondents are active buyers of premium clothing brands, thus, they cannot be characterized by a representative sample with national coverage. The respondents are customers of Wellensteyn, Claudio Campione, Grego Wellio, Bushman Outfitters premium brands represented and sold by Pannónia Representation Ltd., therefore, income categories were defined in a higher income band compared to average domestic conditions.

The vast majority of respondents were women, with exactly 316 women (65%) and 168 men (35%) completing the questionnaire. Most respondents were in the 36–45 age group (45%). In terms of income, respondents represent each group in a similar proportion. The largest proportion of respondents (34%) go to this type of fashion stores once a month, 20% of them every two months and 18% twice a year.

Based on data related to purchase basket value, the majority of respondents (43%) buy between HUF 20.000 and 50.000 occasionally in case of both women (41%) and men (47%), thus, there is no significant difference between sexes. Based on the age distribution of basket values, it can be seen that purchases between HUF 20.000 and 50.000 are the most typical and most of the respondents are between 36–45 years old in this category. Among customers with the highest basket value (above HUF 100.000), the members of the age group 36–45 also dominate. Based on income conditions, the two highest basket value categories (between HUF 50.000 and 100.000 and above HUF 100.000) belong to the respondents with highest income—a monthly net income over HUF 550.000. The purchase basket value between HUF 20.000 and 50.000 belongs to the respondents with following income categories: between HUF 250.000 and 350.000 and between HUF 350.000 and 450.000.

4.2. Factors and Indicators in the Model

The factors in the structural model are the followings:

Factor indicators can be used to measure:

- Factor 1: Complaint Handling (CH)
- Factor 2: Customer Relationship Management (CRM)
- Factor 3: Online presence (OP)
- Factor 4: Promotions (P)
- Factor 5: Sales staff (SS)
- Factor 6: Shopping Ambiance (SA)
- Factor 7: Navigation in Store (NS)
- Factor 8: Store Accessibility (SAC)
- Factor 9: Customer Feedback (CF)

The dependent latent variables are:

- Factor 10: Purchase Satisfaction (PS)
- Factor 11: Customer Loyalty (CL)
- Factor 12: Brand Ambassador (BA)

The questions in the questionnaire serve as indicators of the factors (factor items), therefore, various factors, latent variables can be measured. Respondents answered the questions and ranked each statement on a 5 point Likert scale as described in the methodological part of the dissertation.

In this present research, it was examined which factors/independent variables affect purchase satisfaction, customer loyalty and what may motivate consumers to become brand ambassadors, and to engage in voluntary promotional activities in the future. For retail stores, these dependent variables are critical to their business performance. In managing their consumer target group, retailers have to strive to increase customer loyalty, increase purchase satisfaction, and get more people to become live

advertisers or so-called “brand ambassadors”, who talk about the brand and the products of the brand to their friends.

This analysis alone is intended to provide support to the fashion retail store management in understanding customer behavior, pointing out which business areas to focus on in order to increase customer loyalty or purchase satisfaction.

4.3. Confirmatory Factor Analysis

In order to validate the consumer questionnaire, a factor analysis was performed. The validity of the factor structure of analyzed dimensions was verified by factor analysis run in R Studio 1.2.1335 software. Items that represented themselves with a low value (factor loading) in the model were eliminated after performing the factor analysis. Using the parallel analysis, 10 factors were identified that should be considered in the factor analysis. The 10 factors were created with fixed components by principal component analysis method (PCA) and varimax rotation. A value of 0.84 for the Kaiser-Meyer-Olkin (KMO) test confirmed the adequacy of the sample for factor analysis. According to [Kaiser \(1974\)](#), a minimum value of 0.5 is considered, while according to the related literature, a value of $KMO > 0.8$ is considered very good ([Csallner 2015](#)). The result of the Bartlett's test of sphericity is favorable ($\chi^2 = 8085.23$; sig. $p < 0.001$), which indicates that the correlation matrix in the research is not an identity matrix, therefore the variables are not correlated in the population. The values on the diagonal of the anti-image correlation matrix were all above 0.5 and, therefore each factor is supported to use in the factor analysis. After validation of the factors and factor indicators by factor analysis, also the PLS-SEM analysis was performed.

4.4. PLS-SEM Test Results

Descriptive statistics of independent and dependent variables (median, mean, standard deviation, kurtosis, skewness) showed the normal distribution of the data and do not indicate a problem in the analysis.

4.4.1. Assessment of Outer (Measurement) Model

Two types of methods were used to evaluate the measurement model, which includes the convergence and discriminant validity of the construct. Based on the recommendation of [Hair et al. \(2016\)](#), the evaluation was performed on the basis of factor loadings, Average Variance Extracted (AVE) and Composite Reliability of the model ([Neumann-Bodi 2013](#)). AVE values of all indicators exceeded 0.5 and the reliability of the factor model was higher than 0.7 in all cases. AVE value indicated that the construct achieve adequate convergent validity.

Discriminant validity of the study constructs was tested by the method of [Fornell and Lacker \(1981\)](#). According to the Fornell-Lackner criterion the reflective measurement model is valid in a discriminatory sense if AVE square root of each construct exceeds the highest squared correlation with any other latent variable. The results show that the AVE square roots of the construct are higher than the correlation of all reflective constructs. The criterion of discriminant validity was therefore satisfied.

Multicollinearity analysis was tested using VIF (Variance Inflation Factor) index. All values of the independent variables (Exogenous Latent Variables or Predictors) show VIF statistics ranging from 1.11 to 3.311, mostly showing much lower values than those proposed by Hair et al. Moreover, except in one case ($RK2 = 3311$), they also meet the stricter criteria of maximum 3.3 defined by [Diamantopoulos and Siguaw \(2006\)](#). Consequently, there is no multicollinearity between the factors.

Based on the above-described analyses—the measurement of complex reliability, the validity of convergence and discrimination, and the determination of the lack of multicollinearity; the outer model is acceptable and the data can be suitable for the analysis of the structural model.

4.4.2. Assessment of Inner (Structural) Model

The structural model was analyzed using the five-steps procedure proposed by Hair et al. (2014), which includes the examination of multicollinearity issues, path coefficients, coefficient of determination (R²), and effect size (f²). The inner (structural) model was evaluated using a bootstrapping procedure with 5000 iterations (Hair et al. 2011).

The bootstrapping results show (Table 1) that only one construct from the entire path model was not significant, namely, the effect of sales staff on purchase satisfaction ($\beta = 0.068, p = 0.106$). The constructs complaint handling, customer loyalty, customer relationship management, shopping ambiance, and easy navigation in store have a positive impact on consumer purchase satisfaction. In addition, purchase satisfaction directly influences customer loyalty and the desire to be a brand ambassador for the store. Figure 3 illustrates the direct effects and path coefficients in the model.

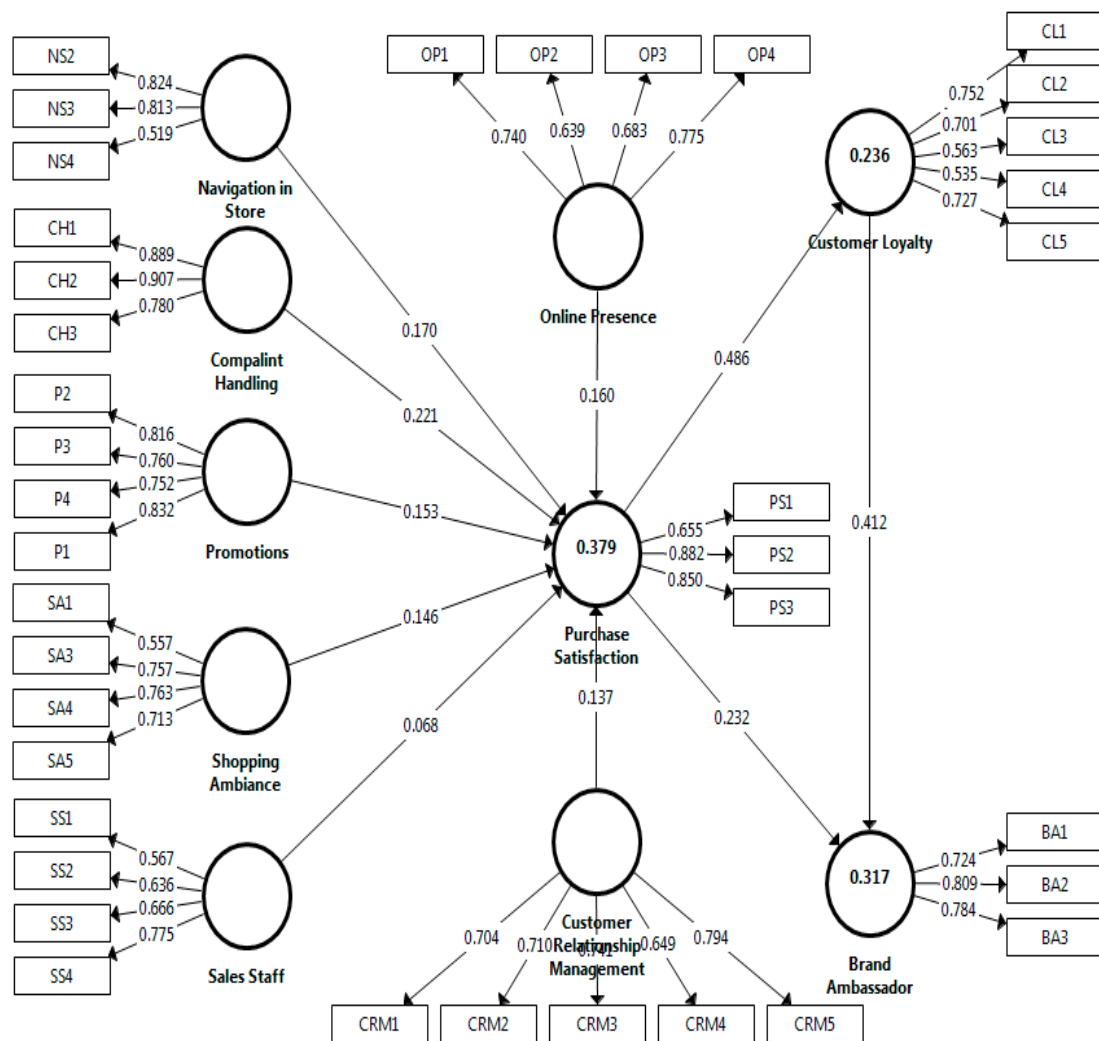


Figure 3. Direct effects and path coefficients in the model. Source: Authors’ own work.

It was interesting and useful that the previous questionnaire and related model did not include the complaint handling factor and its indicators, but agreed with this model in everything else. All analyses were performed also on this previous database and model and as a result it was found that in the route model, the sales staff had a particularly strong, significant effect on increasing customer loyalty.

Table 1. Bootstrapping results.

	H	Std Beta (β)	Mean (M)	T Statistics (O /STDEV)	p	Test Result
Complaint Handling -> Purchase Satisfaction	H1	0.221	0.234	4.837	0.000	Supported
Customer Loyalty -> Brand Ambassador	H2	0.412	0.417	7.419	0.000	Supported
CRM -> Purchase Satisfaction	H3	0.137	0.162	3.136	0.009	Supported
Online Presence -> Purchase Satisfaction	H4	0.160	0.182	4.160	0.000	Supported
Promotions -> Purchase Satisfaction	H5	0.153	0.192	4.571	0.000	Supported
Purchase Satisfaction -> Brand Ambassador	H6	0.232	0.297	3.991	0.001	Supported
Purchase Satisfaction -> Customer Loyalty	H7	0.486	0.490	10.205	0.003	Supported
Sales Staff -> Purchase Satisfaction	H8	0.068	0.084	1.617	0.106	Not Supported
Shopping Ambiance -> Purchase Satisfaction	H9	0.146	0.148	2.787	0.006	Supported
Navigation in Stores-> Purchase Satisfaction	H10	0.170	0.172	3.316	0.001	Supported

Source: Authors' own work.

This finding is consistent with the conclusion of the research published by [Cachero-Martínez and Vázquez-Casielles \(2018\)](#) which states that loyalty is highly dependent on staff-customer interaction. In contrast, the model that separates the handling of complaints from the work of the staff, no longer shows a significant relationship between the work of the staff and consumer loyalty. The question is given: how is this possible?

The answer can be found in the following. While the model did not specifically include the handling of complaints, the effect of this factor appeared in the sales staff factor. Obviously, who also handles complaints in a store, who does the customer get in touch with?—With the sales staff working there. Gaining a negative experience in the incorrect (or perceived) handling of complaint that they feel is legitimate will almost completely erode the customer loyalty it has built up so far. And because this process is related to the people who work there, this strong impact has appeared by sales staff. When complaint handling was separated from the work of sales staff and treated them as a separate factor, this effect was “stolen” and so the work and behavior of sales staff already has a minimal impact on customer loyalty that is no longer significant. A similar result was obtained by [Buttle and Burton \(2002\)](#) and [Hadi et al. \(2019\)](#) who found that handling and managing errors and complaints in the service has a critical impact on customer loyalty.

Consequently, a fashion retail store can draw the following practical lessons from these above-mentioned findings.

- In terms of the development of customer loyalty, sales staff do not have much role in addition to a general routine. However, in a situation where a customer complaint arises for some reason, it becomes critical how the company and sales staff handle the situation. If communication, staff behavior, possible compensation or other action in the complaint handling process is inadequate, the customer's loyalty to the brand/store can be greatly diminished. Similarly, if the complaint is handled beyond the consumer expectations, the loyalty can increase.
- The education or training of sales staff and store managers should focus on customer complaint handling. It is not enough to educate and train the store manager on proper complaint handling, it is also useful to involve all the sales staff working there in such training. It may be necessary to check the level of practical knowledge at regular intervals through online tests or situational exercises with a mystery shopper. It may be also worth changing the company's policy on what can be accepted as a legitimate complaint in unclear cases. Similarly, it may be worth increasing the limit as long as a complaint is considered legitimate and a refund or product exchange is offered. In order to exceed consumer expectations, some basic compensation (gift, coupon, discount) may also be considered in each case of a complaint.

4.4.3. Examining Indirect Effects—Mediation Analysis

The results of the mediation analysis demonstrate that there are significant indirect relationship among the constructs studied in this research. The results show that each of these relationships are significant, but the effect of purchase satisfaction (0.2) on the other dependent variables stands out (Table 2).

Table 2. Mediation results.

	Original Sample (O)	Sample Mean (M)	T Statistics (O/STDEV)	p
Purchase Satisfaction -> Customer Loyalty -> Brand Ambassador	0.20	0.20	6.37	0.00
Complaint Handling -> Purchase Satisfaction -> Customer Loyalty	0.11	0.11	4.60	0.01

Source: Authors’ own work.

Among independent variables, complaint handling stands out because it also has a significant indirect effect on customer loyalty. This finding supports the result obtained in the analysis of direct effects, according to which this factor has pivotal importance.

4.4.4. Importance Performance Matrix Analysis (IPMA)

As an extension of the results of this study, a post-hoc importance performance matrix analysis (IPMA) was performed also. The main purpose of IPMA is to identify predecessor constructs that are relatively important for target constructs (have a strong overall effect), but also have relatively low performance (low average factor values). The aspects underlying these constructs represent potential areas for development. IPMA compares the total effect of each variable in the model with the factor values associated with the latent variable for a given construct (Hair et al. 2016).

Based on the results derived from IPMA, complaint handling has the greatest overall impact on purchase satisfaction compared to other constructs. Examining customer loyalty, purchase satisfaction has the greatest impact on it among the dependent variables and complaint handling among the independent variables (Figure 4). Becoming a brand ambassador is shaped by customer satisfaction and loyalty among the dependent variables, but among the independent variables, the handling of complaints stands out from all other factors.

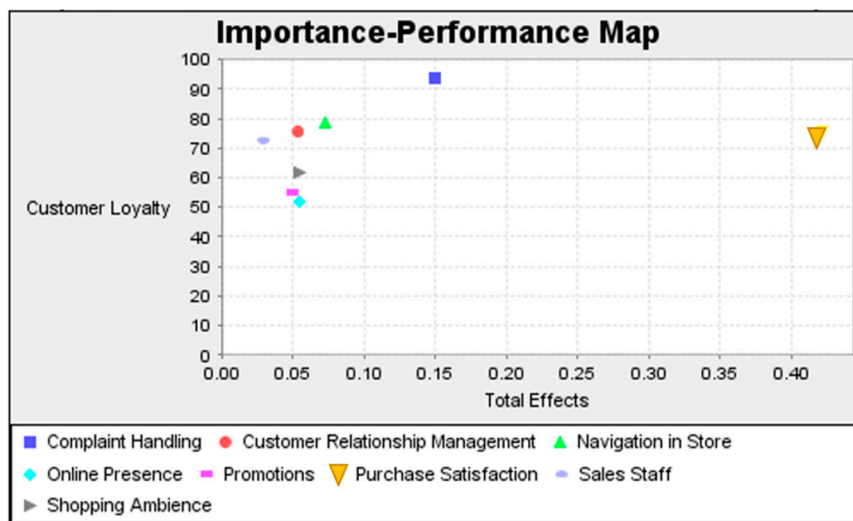


Figure 4. Importance Performance Map—customer loyalty. Source: Authors’ own work.

4.4.5. Validation of Structural Model

Model fit—Based on the data and related literature, the fit of the model is acceptable. The results show that the effect size of all other constructs except sales staff is relevant. In this research, the GoF criteria were met, it is above the minimum requirement for a small sample.

Predictive relevance Q2—The predictive relevance obtained in the research is based on Q2 cross-validated redundancy, which is $0.162 > 0$ for brand ambassador, $0.089 > 0$ for customer loyalty and $0.218 > 0$ for purchase satisfaction, indicating an acceptable predictive relevance value.

4.5. Analysis of Retailers' Practices

In addition to the main objective of examining the compliance of retailers with consumer needs, the differences in other competitive factors were also explored during the research. Participants were asked to rank the eight factors listed in the questionnaire in terms of the importance in gaining customer loyalty. According to the customer preference system, the most influential factor in building loyalty is the complaint handling. Respondents in the chains ranked this factor in second place, while solo stores ranked it in fifth place. Taking into consideration the limitations of the research, meaningful conclusions cannot be drawn from this result, yet the analysis suggested that the opinions of chain workers are closer to consumer preferences in terms of building customer loyalty. Based on the results it can be stated that there is a difference between the management practice of chains and solo stores in terms of building customer loyalty. During the interviews, it was confirmed that both groups consider the appropriate number of qualified sales staff important. However, their needs related to the education and training of sales staff are different. We can also observe differences in the field of implementation—the biggest backward of solo stores can be seen in the field of digitalisation. Furthermore, there is a significant difference—in favour of chains—between owners and store managers of solo stores and chains in terms of qualification and training as well as corporate—organizational experience.

4.6. Limitations and Agenda for Future Study

Although the research is intended to provide a reliable investigation with various implications, there are also some limitations that do not allow generalization of results. The limitations of the research are the followings: the survey is not representative, the sample size is small, and the respondents were mostly from stores belonging to the mass and premium brand categories. Respondents also diversified within a group (e.g., a solo family business), which was not included in the study criteria. Therefore, although problems were discovered and conclusions can be drawn after the analysis, it would be worth and useful to conduct a repeated research with a much larger sample size and deeper diversification. Future study could also harness the power of social media data to capture users' purchase behaviour when it comes to fashion retailing as recent works show good progress in this area (Lee et al. 2020). Besides, comparing the patronage of foreign versus domestic customers in the fashion retail sector would be necessary especially during the pandemic time where most countries are facing border closing and restrictions of entry for tourist. Studies also have highlighted the impact of domestic tourist for the local economy (Nathan et al. 2020) which could be extended for fashion retail and SME sector.

5. Conclusions

The paper comprehensively explains not only the general competitive factors of companies in the extensive literature review, but also the specific competitive factors of fashion retail sector. Studying the relevant literature sources it can be clearly seen that there is not a comprehensive study on sector-specific competitive factors in case of fashion retail industry. During the research analysis, sector-specific factors have been divided into two groups: external and internal factors. Examining the consumer habits and behavior, it can be concluded that in addition to the previously experienced price-value ratio, product-related services and psychological factors such as customer experience play an increasingly important role in development of customer loyalty. During data collection, a questionnaire survey was

performed in order to acquire data on consumer expectations and factors developing consumers' value judgments about service quality. Nowadays, loyal customers have become a capital element and one of the key success factors in the life of companies. Therefore, accurate knowledge of and compliance with consumer needs and expectations is essential for successful businesses. Comparing consumer opinions and store managers' opinions it can be concluded that especially non-developing companies consisting of one store (defined as solo stores and they are mainly SMEs) do not pay enough attention to understand the factors influencing consumer behavior. Moreover, they do not take this into account enough when formulating their business strategy. By identifying and presenting the competitive factors, the study can provide a substantial and practical contribution to the understanding and development of fashion industry. On the one hand, managers working in the sector can gain useful experience and, on the other hand, the research provides additional information to economic policies and decision makers wishing to support small and medium-sized enterprises. Economic policy or political decision makers should review the situation of small and medium-sized enterprises in the fashion retail sector. In accordance with the European Union's support programmes (COSME, Horizon 2020), it is necessary to support small and medium-sized enterprises, including family-owned companies.

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