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Doctoral School of Management and Business Administration

COMPETITIVE FACTORS OF FASHION RETAIL SECTOR

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1. INTRODUCTION

1.1. Research background and problem statement

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.

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.

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 competitive factor between market players (Bertola & 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 & Popovich, 2003). Consumer satisfaction and customer loyalty have become one of the key immaterial resources of the companies (Kandampully et al., 2015).

Due to the prominent role of fashion industry, policy has always had a major impact on the development and organizational change of this sector. It is enough to think about trade restrictions (duties and quotas), or world and regional agreements helping liberalization (WTO, ASEAN, EU-Japan Free Trade Agreement, etc.) (Kis-Katos et al., 2017; Thiebaut, 2018).

In the former socialist countries, concentration processes have also taken place, however, their effects are contradictory. After the change of regime, through liberalization, young domestic companies also had the opportunity to appear and compete on the world market, while having to start with a significant competitive disadvantage.

In the field of fashion retail sector, in addition to the global market, the Eastern European and domestic markets are also dominated by the world's leading fashion conglomerates. Despite the experience and dominance of leading companies, some domestic companies – referred as high growth firms (HGF) in the literature – have been able to grow up, therefore, research of their key success factors can bring important practical benefits.

In addition to examining the international experiences and the impact of global value chains, the research focuses on the sales side of the value chain, ie the retail sector. Global supply chains have become demand-driven, thus retail companies have a great impact on the entire value chain. (Gereffi & Fernandez-Stark, 2011).

In the recent time period, the existence of small and medium-sized enterprises has become endangered due to the increasing concentration, despite the growing turnover of the retail sector. Consequently, it is important to identify so-called sector-specific competitive factors, which is a central research area of the dissertation.

In addition to the listed and above-mentioned topicalities, my personal involvement in fashion retail sector was a special incentive to continue the research, and enabled me to use my previous personal and professional experiences and also my relational capital during my work.

1.2. Research objectives and hypotheses

1.2.1. Research objectives and related tasks

The main research aim is to identify the competitive factors in fashion retail sector. To the best of my knowledge, there is not a comprehensive work in this topic in Hungary – the previous studies related to some sub-areas of the research, but the number of these studies is marginal. Moreover, reviewing the international literature, the situation is similar.

In order to achieve the primary research aim, following research tasks need to be solved:

- mapping the national and international situation of the sector through the extensive literature review
- collecting different definitions and measurement options of competitiveness through the extensive literature review
- determining the sectoral characteristics of competitiveness and identifying its factors (sector-specific competitive factors) through primary and empirical research
- defining the order of importance of specific factors through primary research
- determining the effect size of identified success factors
- evaluation of the results, comparison with the results of similar primary researches in related literature, drawing reasonable conclusions and formulating recommendations

1.2.2. Research questions and hypotheses

Based on the research objectives, the relevant literature sources, the analysis of documents of national and international organizations and my exploratory research, the following research questions and hypotheses were formulated.

Table 1 demonstrates the formulated research questions and hypotheses and also summarizes the different research methods and mathematical statistical tools used to solve the above-mentioned research tasks and answer the research questions.

Table 1: Research questions, hypotheses and methods

	Research questions	Methods
Q ₁	What are the global characteristics of value chain in textile and fashion industry and what effect do the changes around the turn of millennium have on Hungarian fashion retail sector?	Descriptive statistics, literature review, secondary data collection
H ₁	There is a strong increase in concentration with a decrease in the number of domestically owned enterprises.	
Q ₂	To what extent are the common characteristics of the companies located in TOP premium retail locations in Hungary related to international trends?	Primary research with experts, data collection, Pearson correlation matrix
H ₂	The main determinant in the business and ownership structure of a premium location is its position in the value chain.	

Q ₃	What is the significance of the typical competitive factors of fashion retail companies in domestic practice, in other words, what are the most important success factors?	Literature review, expert opinion research
H ₃	Building customer loyalty is a priority among the success factors of retail stores.	
Q ₄	What are the direct and indirect factors that develop customer loyalty in fashion retail sector and what is the strength of the impact of these factors?	Questionnaire survey, factor analysis, PLS-SEM analysis
H ₄	The positive attitude of sales staff is a primary factor in terms of increasing customer loyalty.	
Q ₅	What differences can be observed in the operation and characteristics of developed and non-developing companies?	Questionnaire survey, in-depth interviews. Evaluation based on mathematical statistical methods
H ₅	The largest difference between developed and non-developing companies is in the size and composition of intellectual capital.	(Mann–Whitney test, Spearman rank correlation)

2. LITERATURE REVIEW

In line with the formulated research objectives and hypotheses, the foundation of research began with the study of relevant national and international literature presenting the theory of competitiveness, the competitiveness and viability of fast-growing companies, as well as the theory of consumer behavior and related empirical research. Among the studies examining the competitiveness of companies, the theoretical research background was provided by resource-based theory, stakeholder theory, intellectual capital theory and behavioral economics.

In the extensive literature review, the strategic resources of companies (as corporate resources) were examined based on the relationships presented in Figure 1.

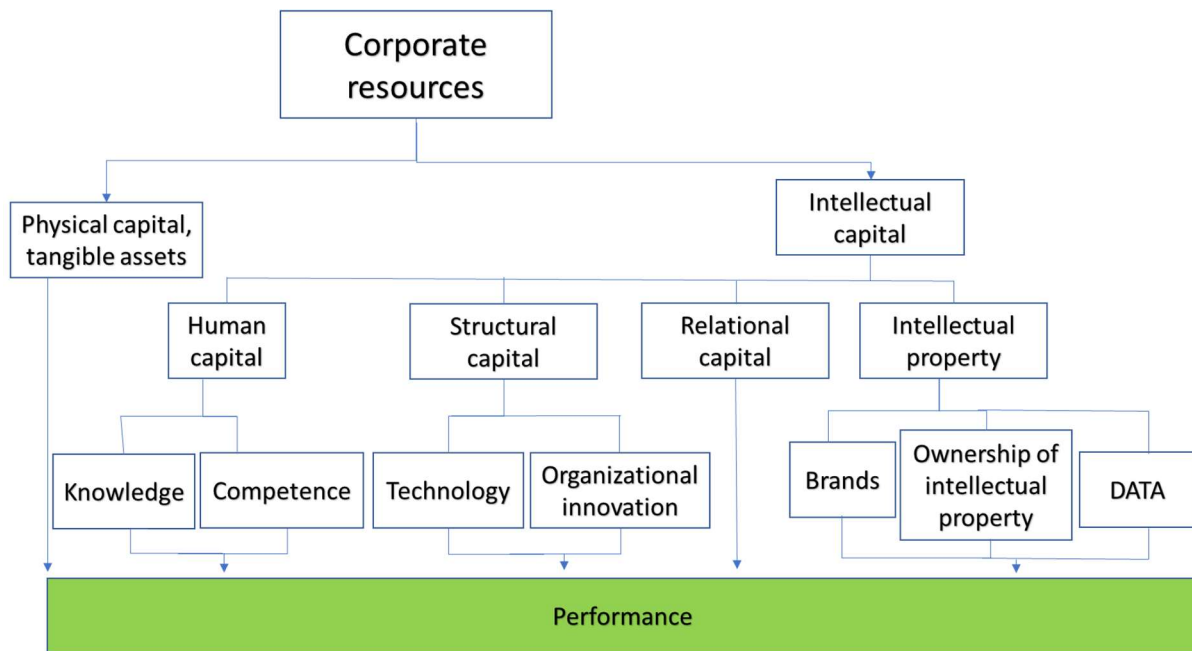


Figure 1: Corporate resources

Source: Author's own work

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. External factors include margin, rent, strength of brand, company size and goodwill. In parallel, internal factors consist of knowledge and compliance with consumer needs, store design and atmosphere, customer loyalty and satisfaction, sales staff, supply chain, marketing, change management and digital solutions.

On the one hand, digitalisation is one of the most important competitive factors, which can significantly increase the efficiency of all corporate areas. On the other hand, digitalisation has initiated processes in society and economy that are also redefining and developing the retail sector, therefore, the elements of this process are described in more detail.

3. MATERIALS AND METHODS

The following chapter presents the scientific methodologies needed to answer the research questions and examine the previously presented hypotheses. The current situation of fashion retail sector and trade was examined in a developmental history approach, focusing on the impact of increasing concentration, globalization, technical and technological development. The research process and the methods used are illustrated in Figure 2.

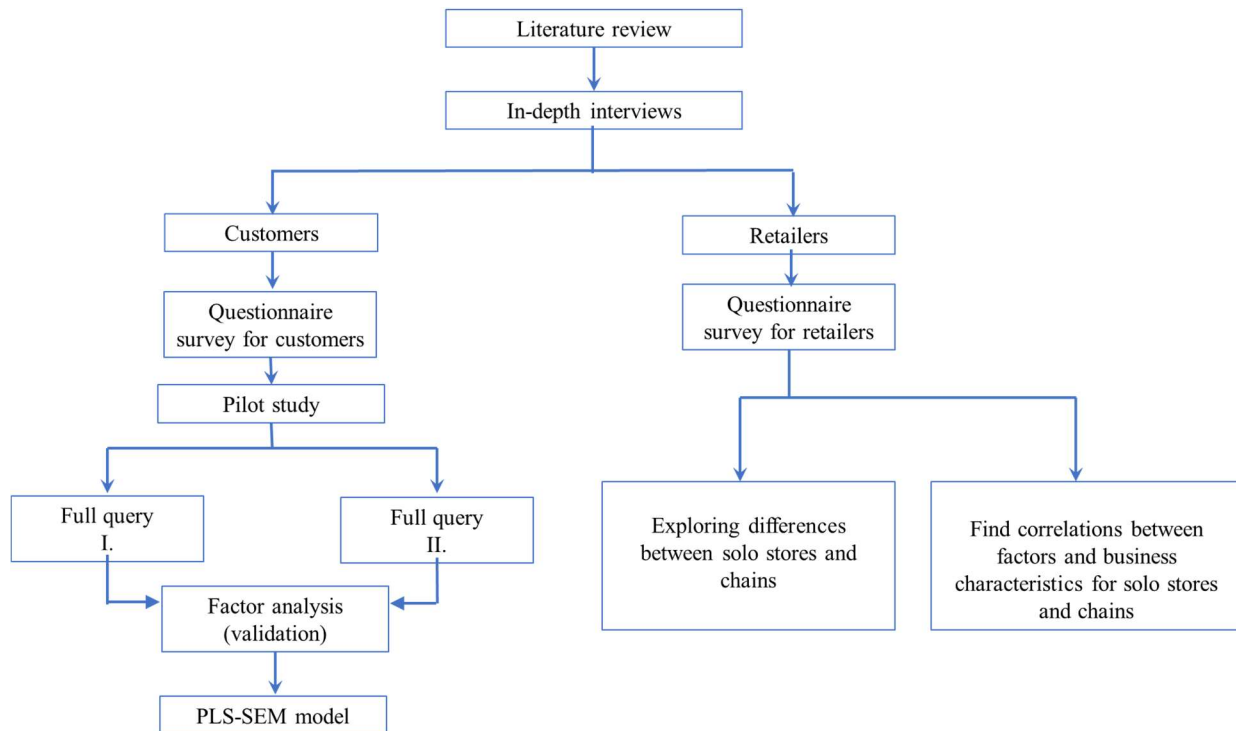


Figure 2: Research framework

Source: Author's own work

3.1. In-depth interviews

The main sector-specific competitive factors were explored based on the qualitative research. In addition to the factors known from relevant literature sources, in-depth interviews enabled me to gain deeper knowledge and draw my attention to less studied factors also. As a result of in-depth interviews (with 21 fashion retail store managers and owners), the followings were identified as the most important factors: meeting consumer needs, the amount of intellectual capital, the manager's ability to follow technical and technological changes, the extent of digitalisation, recognizing and implementing necessary changes in the company's organizational structure.

After data collection retailers were divided into 4 groups as follows:

- a) developed, professional companies (operate at least 3 retail units, the units are members of a chain and their owner(s) have more than 10 years of experience in the sector). These companies are hereinafter referred to as **Chain**.
- b) non-developing companies (the group includes those companies whose owners also have at least 10 years of experience but are not members of a chain, ie they have a maximum of 2 retail units. They are successful in their previous activities but are unable to grow.) These companies will be referred to as **Solo store onwards**.
- c) young businesses (were not examined in the present research)

d) terminated, failed companies (were not examined in the present research).

3.2. Research methodology for examining consumer expectations

During in-depth interviews, the number of loyal consumers formed by meeting consumer expectations was identified as the most important competitive factor. Therefore, quantitative research was started by exploring the factors of consumer expectations and determining their effect size. The process of examining consumer expectations can be seen in detail in Figure 3.

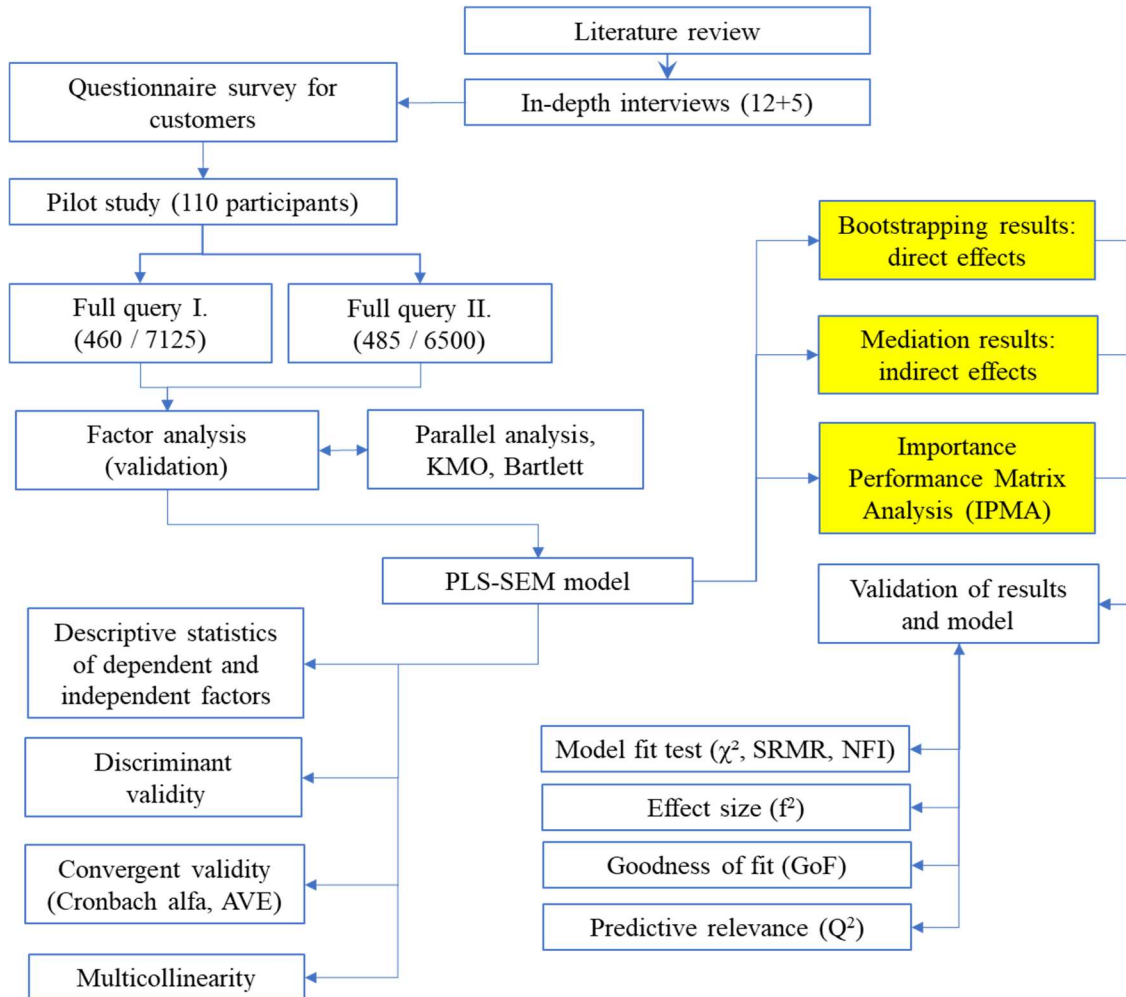


Figure 3: Research framework for examining consumer expectations

Source: Author's own work

The analysis of consumer expectations was based on the 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. 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) were used in three steps. The first two of them served to finalize the questionnaire and research methodology.

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 serve as indicator questions for the factors of the structural model. 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). Figure 4 illustrates the inner and outer model of the research framework.

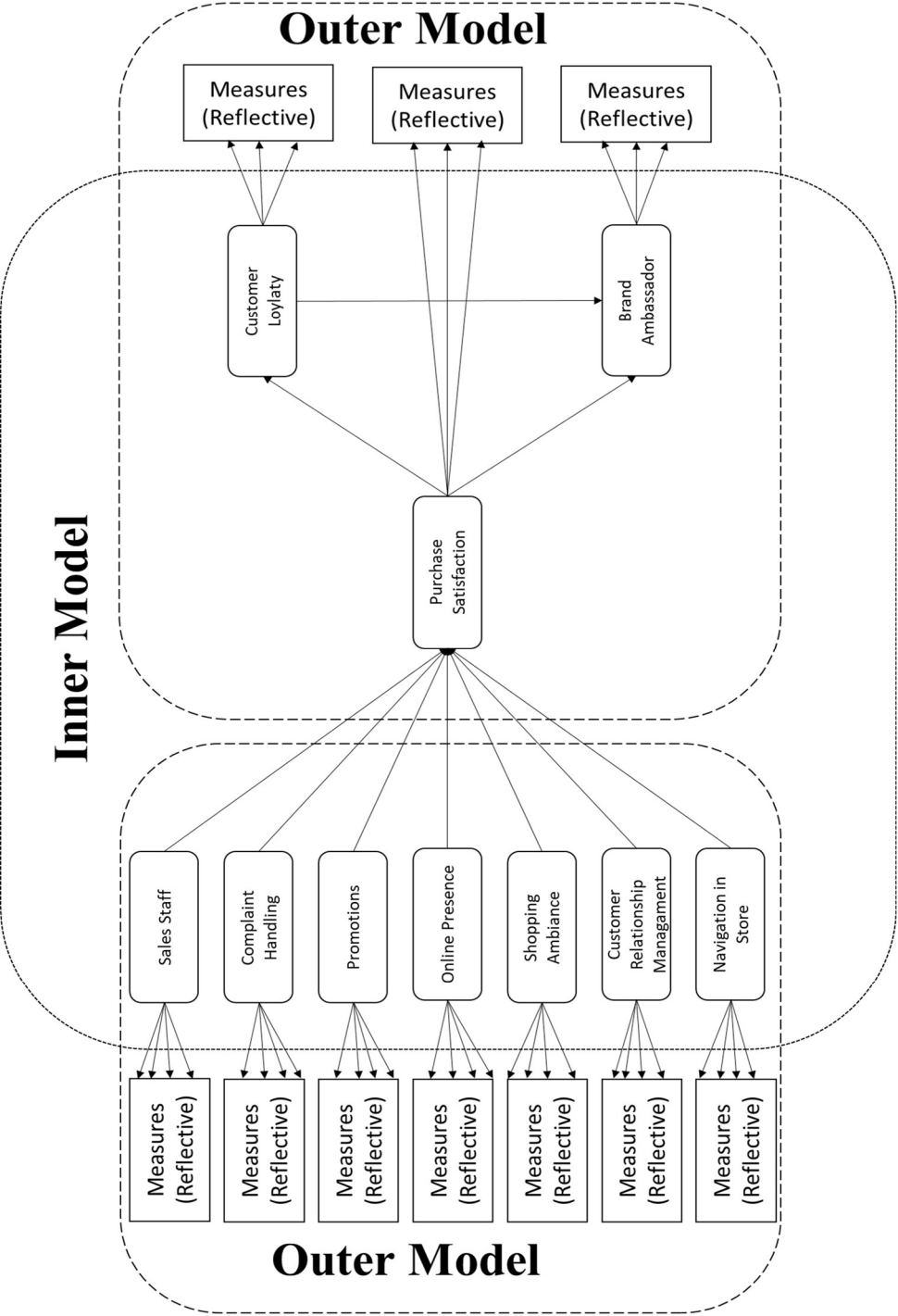


Figure 4: The inner and outer model of research framework

Source: Author’s own work

3.3. Research methodology for examining of the retailers’ opinion and practices

Creating the retailers’ questionnaire is intended to find group identities between developed “chains” and non-developing “solo” companies, and to be able to compare the opinions and practices of retailers with the expectations of consumers. During this part of research, online questionnaires were used for data collection. The questionnaire was completed by 89 respondents. Research framework can be seen in Figure 5.

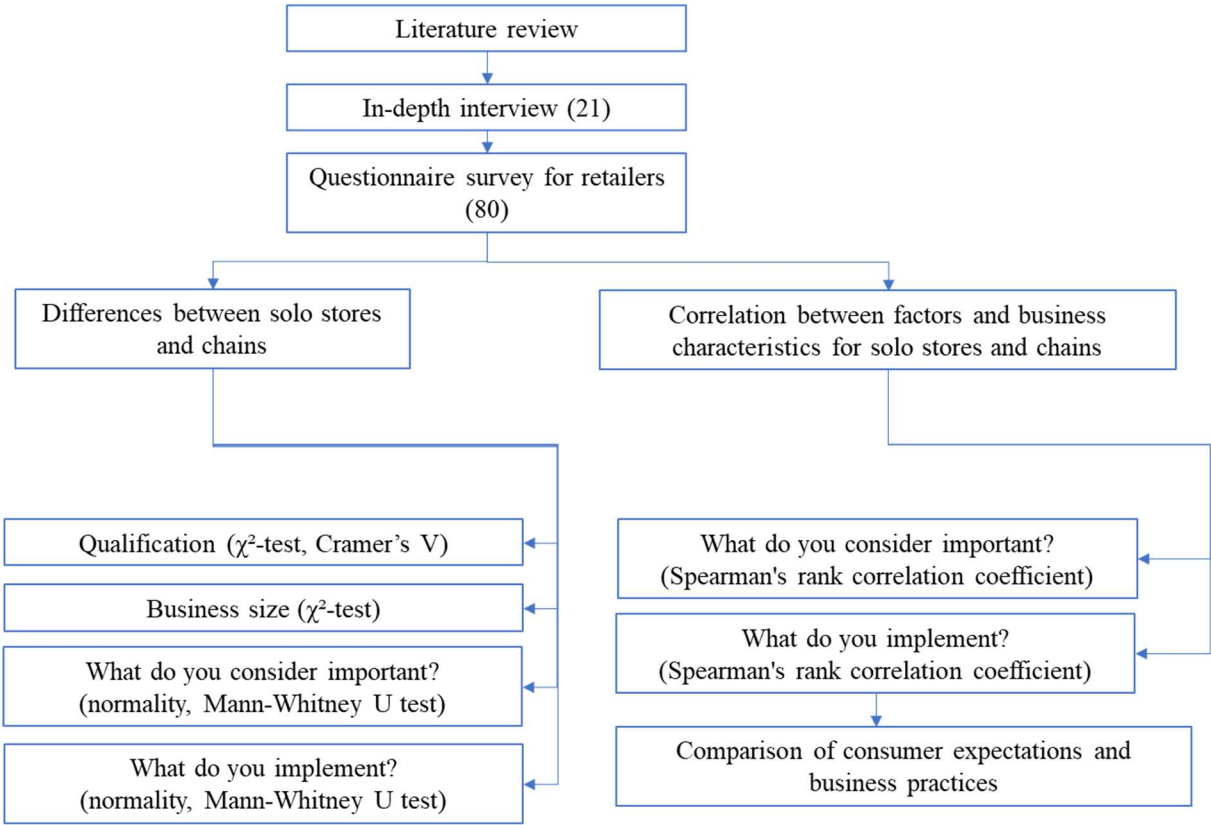


Figure 5: Research framework for the analysis of retailers’ opinion and practices

Source: Author’s own work

4. RESULTS AND DISCUSSION

The following section demonstrates the results of examining the hypotheses of the dissertation. Main results of the dissertation are grouped by the key competitive factors identified through literature review and personal interviews.

4.1. Analysis of textile and fashion industry and trade

4.1.1. Main characteristics of international and domestic situation

In addition to the continuously increasing globalization, there has also been an increase in regional concentration. Furthermore, a new type of division of labour has been observed in textile and fashion industry over the last decade. Currently, the production of clothing products is organized around 3 main regions in the world, due to the fact that geographically close countries have built up regional value chains. These three regions are Asian, European, and a region called Western region in the literature, which consists of North America, South America and Africa.

Presenting the largest market players in the fashion industry is essential, as these companies have the greatest impact on the competitiveness and operation of the market. In other words, domestic small and medium sized enterprises (SMEs) are forced to compete with these conglomerates.

The market share of fashion industry reached 4% - 385.7 billion dollars – globally in 2018, of which the luxury goods market accounted for 339.4 billion dollars. There has been a strong concentration in the fashion industry not only in production and exports, but also in the entire sector over the past 50 years. By 2010, the world's top 20 fashion companies accounted for 70% of global economic profit, but in 2017 this share reached 97% (!) (McKinsey, 2019).

The largest market players usually operate with multiple brands at once. Some have developed their own new brands or sub-brands within the portfolio, such as Inditex Group, to which not only ZARA belongs, but also Stradivarius, Bershka, Massimo Dutti and Oysho are its members - although most customers do not connect these brands.

After the change of regime, these global fashion conglomerates rapidly expanded in the markets of Central and Eastern European countries, including Hungary also.

In Hungary, the importance of the sector is shown by the fact that while total retail sales has increased by 5.3% per year in the last 5 years, retail sales of textile and fashion sector has increased by 15.1% per year (KSH, 2019). Despite the fact that the clothing market has almost doubled, the number of fashion retailers decreased drastically - by 31% - between 2014 and 2019, with a large increase in the share of the largest market players (Nemzeti Cégtár, 2019; Opten, 2019).

Examining the largest domestic players, it can be clearly seen in the top 20 list that the world's leading fashion companies dominate the sector. Based on their sales revenue in 2018, only 4 companies with a Hungarian background are in the first 20 places. It can also be observed that the leading retail companies, without exception, have several years of experience, start-up companies cannot be found in this field.

Based on the sales revenue of 2018, groups of the retailers belonging to the same ownership circle were ranked, following the basic idea of the modified HH index suggested in the literature.

The first three largest companies are the followings: H&M has an annual turnover of HUF 53 billion, followed by Inditex Group (Zara, Bershka, Stradivarius, Pull and Bear) with HUF 39.6 billion and C&A with HUF 27 billion. Based on 2018 turnover, the sales revenue of these three companies accounted for 17.8% of the total domestic fashion retail sales revenue (Opten, 2019). It is interesting that HÁDA as a domestic, family-owned company operating in second hand clothing retail sector – the leading second-hand clothes’ retailer in Hungary – was also added to the Top20 list.

It can be seen that there are only a few domestic players among the largest. Most of them were established immediately after the change of regime. We can assume that the secret behind their success is on one hand the competition was not so strong at the start of the business, and on the other hand they did not have to face the multinational companies that appeared later. Thus, they were provided with some time in order to gain experience and knowledge and grow in size. In contrast, most of the domestic retail units established after the change of regime could not exploit their potential, and due to the intensifying competition, they ceased operation.

H1 There is a strong increase in concentration with a decrease in the number of domestically owned enterprises.

Based on the analysis of secondary data (KSH, Opten and Nemzeti Cégtár) this hypothesis is supported.

4.1.2. Retail premium locations

As a key research area, the primary research focused on the top premium locations in Hungary and examined whether international trends are reflected in structural change. The research was conducted in main shopping streets of Budapest - on Váci street, Fashion Street (Deák Ferenc street) and Andrásy street.

Retail premium locations can be described by the following characteristics: the highest rent, the highest footfall and the highest potential revenue. These factors are strongly correlated with each other. Where the store is in a frequented location with higher footfall, there will be more people coming into the store, buying more, thus the annual sales will be higher and these factors will also influence the level of rent also.

In this part of my research, firstly the largest European premium locations were studied based on the data provided by BNP Paribas (2019) and Mastercard Inc. (2018) in order to identify the main determinants of the location of stores in the agglomeration.

Table 2 includes an abbreviated list of these locations and summarizes the main characteristics of each shopping street for 2017.

Table 2: Top retail locations in Europe – shopping streets

street name	brands: luxury or mass to premium	footfall	rent/mont h EUR /m2	number of tourists (mill)	city population w/agglo (mill)	tourists + population (mill)	city purchasing power per capita, EUR	tourism annual spending mrd EUR
London Oxford Street	Premium	13 560	1 119	19,06	13,84	32,90	27 146	15,30
London Bond Street	Luxury	2 746	1 781	19,06	13,84	32,90	27 146	15,30
Paris Av. des Champs Elysées	Premium	10 277	1 833	15,45	12,09	27,54	28 541	11,40
Barcelona Av.d Portal de Angel	Premium	10 216	275	8,36	5,43	13,79	18 776	8,46
Milan Corso Vittorio Emanuele II	Premium	8 598	250	8,17	4,29	12,46	25 708	4,66
Zurich Bahnhofstraße (North)	Premium	8 586	727	2,2	1,45	3,65	47 581	no data
Zurich Storchengasse	Luxury	1 690	255	2,2	1,45	3,65	47 581	no data
Dublin Henry Street /Mary Str.	Premium	8 505	396	5,51	1,85	7,36	20 170	2,00
Madrid Calle de Preciados	Premium	10 292	255	2,24	6,39	8,63	18 372	7,29
Rome Via del Corso	Premium	8 152	250	7,09	2,86	9,95	20 497	4,26
Vienna Kärntner Straße	Premium	8 114	280	6,42	2,72	9,14	22 594	4,18
Prague Na Příkope Street	Premium	8 008	210	6,11	2,57	8,68	10 197	2,76
Prague, Pařížská Street	Luxury	2 814	210	6,11	2,57	8,68	10 197	2,76
Munich Theatinerstraße	Premium	7 604	230	5,24	2,80	8,04	29 578	5,04
Berlin Tauentzienstraße	Premium	7 095	320	4,94	5,07	10,01	19 990	4,76
Budapest, Váci utca	Premium	2 030	110	3,67	2,98	6,65	6 963	no data
Budapest, Andrásy út	Luxury	762	120	3,67	2,98	6,65	6 963	no data

Source: own elaboration based on BNP Paribas (2019) and Mastercard (2018)

It can be observed that the highest rents usually belonged to the highest footfall, the highest number of tourists and the highest spending. The examples clearly represent that the effect of diverse factors determining rent is not the same. The correlations among these factors and the strength of these correlations were analysed by Pearson's correlation. The study was conducted with the mass-premium category stores and results can be seen in Table 3.

Table 3: Strength of the correlations among the factors affecting rent

	purchase power	footfall	rent	number of tourists	population + tourists	population	tourist spending
purchase power	1.00						
footfall	0.24	1.00					
rent	0.40	0.44	1.00				
number of tourists	0.10	0.43	0.73	1.00			
population + tourists	0.12	0.49	0.76	0.97	1.00		
population	0.14	0.52	0.74	0.86	0.95	1.00	
tourist spending	0.043	0.56	0.62	0.85	0.93	0.94	1.00

* in shopping streets representing mass-premium brands

The results support the assumption that the amount of rentals is largely affected by the sales potential available in a given location or street, this factor “prices” predominantly the retail properties, in addition, the stores in premium locations have significant advertising and prestige value for brands (consistent with the results of Nelson, 1958 and Öner, 2014).

Domestic premium locations

Premium locations were studied and analysed based on the amount of rent, the margin and the position of these stores in the value chain. Results have been compared with the results of related theoretical and empirical research.

Váci street is the most visited shopping street, however, Deák Ferenc street – called also as “Fashion street” – which opens from Váci street is also very frequented. Traditional luxury brands are located on Andrásy street, where footfall is lower compared to the previously mentioned other two streets.

Váci street consists of two main parts: the so-called small or new Váci street and the old Váci street from Kossuth Lajos street to Vörösmarty square. Only the old Váci street can be qualified as a top location, this cannot be said for the other parts of the street. Similarly, only one part of Andrásy street can be classified as a premium location – the section between Bajcsy-Zsilinszky street and Oktogon. Hereinafter in the dissertation, these street names refer to only the sections belonging to the premium location.

Table 4 represents the current monthly rents in above-mentioned top premium locations for 2019 Q4.

Table 4: The average monthly rents in shopping streets in Budapest

Location	Rent
Váci street	150 EUR/m ² /month
Fashion Street (Deák Ferenc street)	125 EUR/m ² /month
Andrásy street	70 EUR/m ² /month

Source: Cushman and Wakefield, 2020

4.1.3. The expansion of fashion companies in premium locations

According to the survey conducted between February and April 2019, there were 29 fashion retail stores on Váci Street, 14 stores on Fashion Street and 31 stores on Andrásy Street. Fashion retail stores are defined here as clothing, bag and shoe stores, excluding leather goods and jewellery stores.

During the primary research I examined the corporate structure of the companies operating retail unit(s), looking for a correlation between the operating company and the brand owner, and tried to determine the ultimate owner, the parent company. Units are grouped according to whether the operating company is owned by branded manufacturer company or by another retailer. In Váci Street, 23 of the 29 retail stores are owned by the brand owner, therefore, these companies have a large share of the vertical value chain (Figure 5).

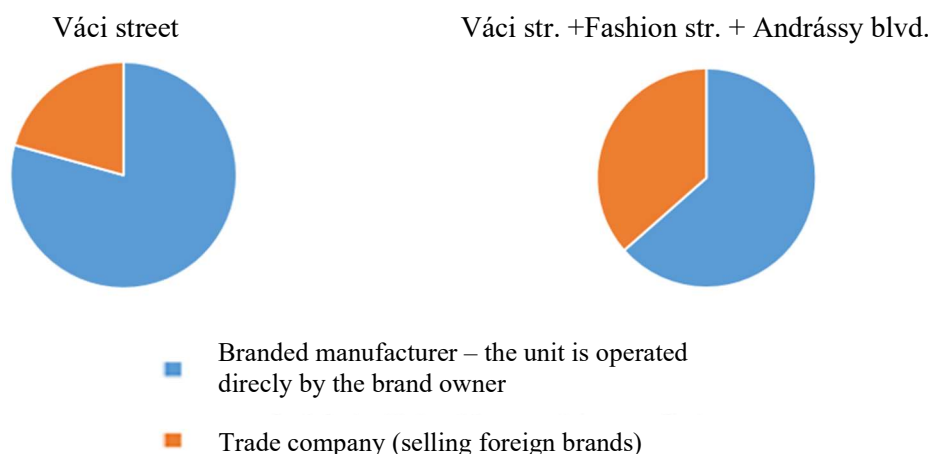


Figure 6: Examining tenants of shopping streets based on their position in the value chain

Source: Author's own work

Váci street is the most crowded shopping street, which is also confirmed by the highest rents. 79% of fashion retail stores are operated by subsidiaries of branded manufacturer companies themselves. Of these, only one domestic company can be found (Thomas Breitling). In other shopping streets with lower rents and footfall, the composition of stores also differs in the following: there is a higher proportion of retailers in a lower position in the value chain, and they are not owned by the manufacturer company.

Each company operating a fashion retail store on Váci Street and Fashion Street or its circle of owners has at least 30 years of experience in the retail sector. Related data are partly based on in-depth interviews and partly based on corporate websites. Figure 7 illustrates that the largest companies, that can integrate the vertical almost completely, realize most of the margin generated in the vertical. Research findings supported the literature data on margins specific to the fashion retail sector.

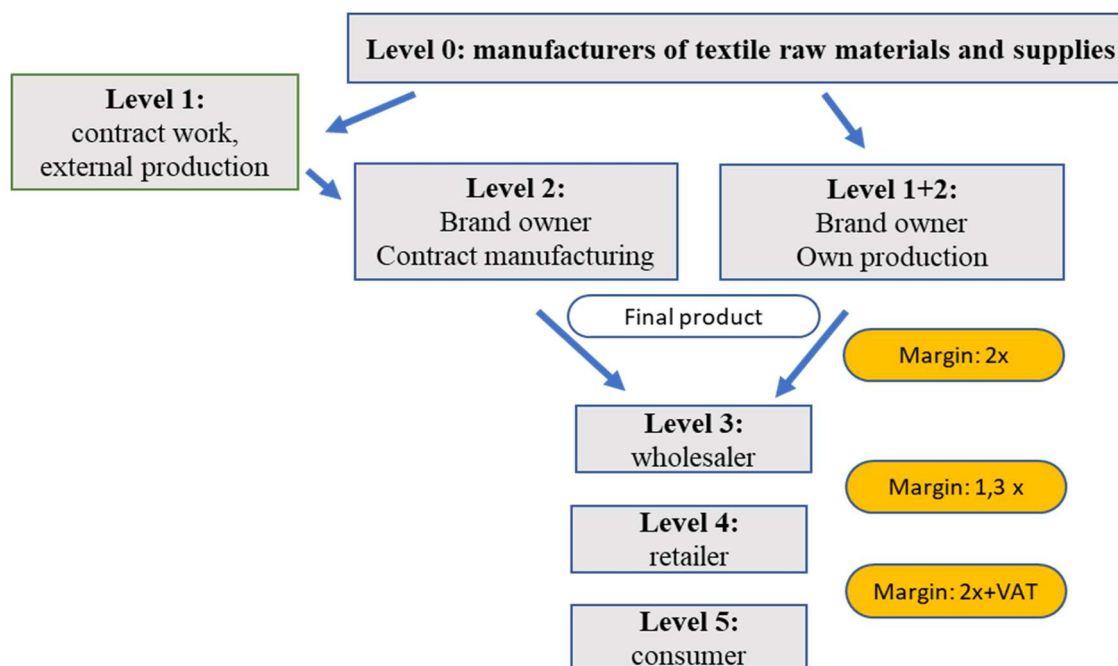


Figure 7: Relationship between vertical value chain structure and margin

Source: Author's own work

Based on the answers of respondents, the 20-30% margin of the wholesaler and the 100% margin of the retailer are strongly typical for the resale of the product in the sector. The manufacturer's margin already varies more, depending on whether the company manufactures its products on a contract basis or manufactures the products in its own factory (such as Inditex), or may already partially integrate raw material production also, such as LVMH Group. The manufacturer's margin also depends on the market position of the brand. In case of a luxury product, the margin can be much higher, since the final consumer price reflects the prestige of the brand rather than the cost of production. Research findings coincide with the related theory and international empirical research findings presented in the literature review (e.g., Charlton & Perloff, 2006; Haldane, 2018).

Retailers who procure goods from a wholesaler cannot compete in this environment, no such retail units operate in these shopping streets.

H2 The main determinant in the business and ownership structure of a premium location is its position in the value chain.

Data analysis in relation with the question Q2 confirmed that the position in the value chain greatly influences the amount of margin that can be realized on the products sold, which allows presence in premium locations characterized by high rents. Thus, hypothesis H2 is supported.

Global fashion conglomerates (top 20) in premium locations

In the research it was also confirmed that the world's leading fashion companies (top 20) dominate the top domestic locations in Hungary, despite their much later appearance compared to the Western markets.

Also leading companies can be found among the 74 retail units surveyed, moreover, several large companies operate with multiple brands and multiple stores simultaneously (Table 5).

Table 5: Top 20 leading fashion conglomerates in premium locations in Budapest

	Company	Presence	How many monolabel brand stores are present?
1	Inditex	Yes	5
2	Nike	Yes	1
3	LVMH	Yes	1
4	TJX Companies	No	
5	Hermés	No	
6	H&M	Yes	2
7	Ricehmont	No	
8	Ross	No	
9	Adidas	Yes	2
10	Kering	Yes	1
11	LBrands	No	
12	Pandora	Yes	1
13	Fast Retailing	No	
14	Next	No	
15	VF Corporation	Yes	1
16	Luxottica	No	

17	Micheal Kors	Yes	1
18	Gap	No	
19	Hanes Brands Inc.	No	
20	Burberry	Yes	1

Source: Author's own work

Despite the limitations of the research, a high degree of concentration has also been proven in the domestic market. Presented data only includes the number of stores, however, there are huge differences in the size of stores within the group. Here, as an example, we can look again at the stores of Inditex Group or H&M, each of which is a department store with thousands of square meters of sales space, as opposed to a number of stores with approximately 100-200 m² of retail space. Accurate data on the concentration expressed in sales revenue in premium locations are not available, however, at national level, the high degree of dominance of these companies can be stated with great certainty on the basis of their market share of the sector.

Results confirmed the theory showing the correlation between margin, market concentration and place in the value chain and is also consistent with previous empirical research findings.

4.2. Analysis of consumer expectations

Based on the research it can be clearly seen that the retail sector is dominated by a small but large-scale professional, developed chains. Most of sales and profit is realized in these chains instead of the large number of domestic retail stores. The research can highlight the factors which can cause this situation, and provide support for Hungarian small and medium-sized enterprises to turn towards development. Furthermore, it can contribute to the creation of an appropriate incentive-support background by providing support for political decision makers.

Based on the literature review and personal interviews, the most important competitive factor of companies is to meet consumer needs. This finding is related to the hypothesis H3.

H3: Building customer loyalty is a priority among the success factors of retail stores.

Based on the findings of qualitative research, primarily the personal interviews with store managers and owners this hypothesis is supported.

Companies need to be aware of consumer expectations and integrate these identified factors into their strategy. Therefore, both sides were examined simultaneously in the research – 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.

Therefore, this part of the dissertation is followed by the results presenting the analysis of consumer behavior, expectations, loyalty, and business practices.

4.2.1. Demographic characteristics of respondents

Before describing the demographic characteristics, it is essential to emphasize that respondents are active buyers of premium clothing brands, thus, they cannot be characterised 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.

4.2.2. Factors and indicators in the model

The factors in the structural model are the followings:

Factor indicators can be used to measure:

- Factor 1: Promotions (P)
- Factor 2: Customer Relationship Management (CRM)
- Factor 3: Shopping Ambiance (SA)
- Factor 4: Navigation in Store (NS)
- Factor 5: Sales staff (SS)
- Factor 6: Online presence (OP)
- Factor 7: Complaint Handling (CH)
- 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 and share information 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.

4.2.3. Verifying 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.

4.2.4. PLS-SEM test results and hypotheses testing

This section presents the results of Partial Least Square analysis which leads to the testing of research hypotheses. 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. After examining the descriptive statistics of the data, also the PLS-SEM model was evaluated.

Assessment of 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 Composit 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

Discriminant validity of the study constructs was tested by the method of Fornell and Larcker (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 diagnostics

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=3,311), they also meet the stricter criteria of maximum 3.3 defined by Diamantopoulos and Sigauw (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.

Factor values of outer model

The external factor value of all items measuring research constructs is greater than 0.60, indicating satisfactory convergent validity (Chin et al., 1997).

4.2.5. Assessment of 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 (R^2), and effect size (f^2).

The inner (structural) model was evaluated using a bootstrapping procedure with 5000 iterations (Hair et al., 2011).

The bootstrapping results show (Table 6) 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 8 illustrates the direct effects and path coefficients in the model.

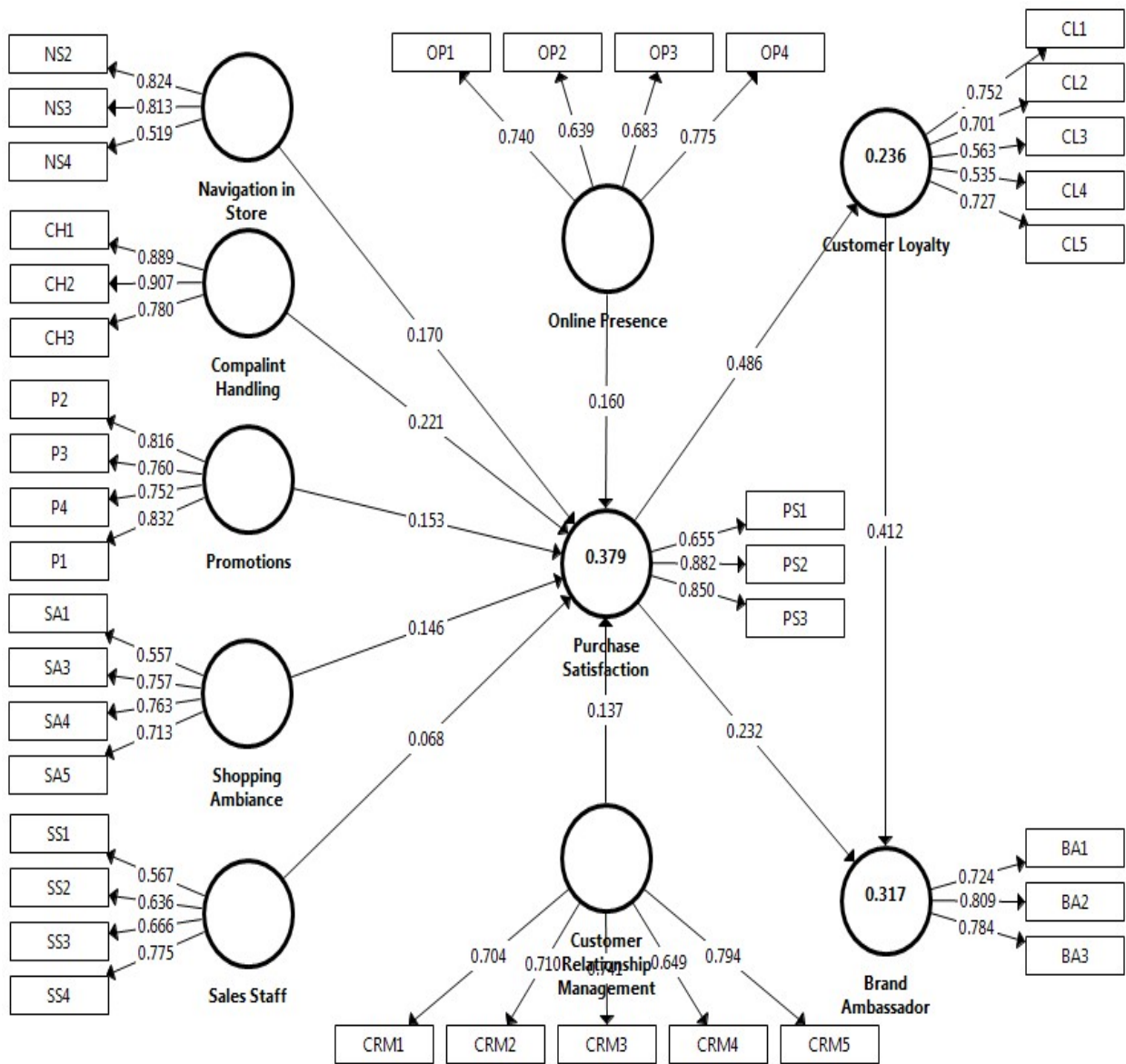


Figure 8: Direct effects and path coefficients in the model

Source: Author's 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 6: Bootstrapping results

	Std Beta (β)	Mean (M)	T statistics (O/STDEV)	P	Test result
Complaint Handling -> Purchase Satisfaction	0.221	0.234	4.837	0.000	Supported
Customer Loyalty -> Brand Ambassador	0.412	0.417	7.419	0.000	Supported
CRM -> Purchase Satisfaction	0.137	0.162	3.136	0.009	Supported
Online Presence -> Purchase Satisfaction	0.160	0.182	4.160	0.000	Supported

Promotions -> Purchase Satisfaction	0.153	0.192	4.571	0.000	Supported
Purchase Satisfaction -> Brand Ambassador	0.232	0.297	3.991	0.001	Supported
Purchase Satisfaction -> Customer Loyalty	0.486	0.490	10.205	0.003	Supported
Sales Staff -> Purchase Satisfaction	0.068	0.084	1.617	0.106	Not Supported
Shopping Ambiance -> Purchase Satisfaction	0.146	0.148	2.787	0.006	Supported
Navigation in Storer-> Purchase Satisfaction	0.170	0.172	3.316	0.001	Supported

Source: Author's 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 & 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.

4.2.6. Examining indirect effects - mediation analysis

The results of the mediation analysis demonstrate that there are many significant indirect relations among the constructs studied. All constructs except sales staff has an indirect influence on customer loyalty and the desire to be brand ambassador. The results show that each relationship is significant, but the effect of purchase satisfaction (0.2) on the other dependent variables stands out (Table 7).

Table 7: 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: Author's 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.

4.2.7. 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 8). 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.

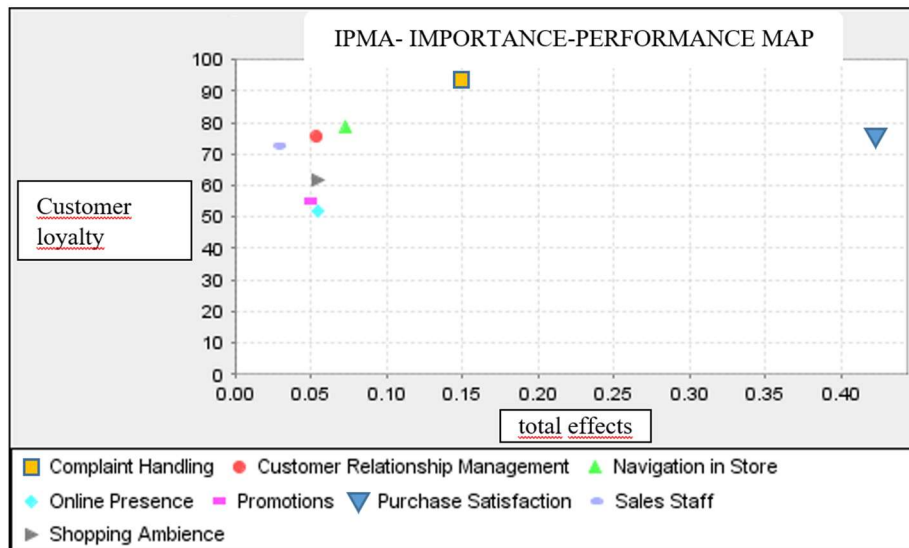


Figure 9: Importance Performance Map – customer loyalty

Source: Author’s own work

4.2.8. 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.

H4 The positive attitude of sales staff is a primary factor in terms of increasing customer loyalty.

Based on the results and analysis, hypothesis H4 is partially supported. In terms of customer loyalty, complaint handling proved to be the most important factor and in addition the work of the sales staff was insignificant. At the same time, complaint handling is part of the work of sales staff, therefore, if the factor of complaint handling is not separated from this, it becomes the strongest factor.

4.3. Analysis of retailers’ opinion and 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.

4.3.1. Assessing the factors of customer loyalty

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.

4.3.2. Comparison of the practices of solo stores and chains

The level of realization of factors affecting customer loyalty was measured by making two statements for each factor and asking participants to comment on whether it was present in their operational practice or not. If “yes” answer was received to any of the statements, it was worth one point, “no” answer was zero points, thus the sum of the answers provided the degree of realization. Digitalisation was measured differently, based on the answers to six statements, so the value of the variable measuring digitalisation can range between zero and six.

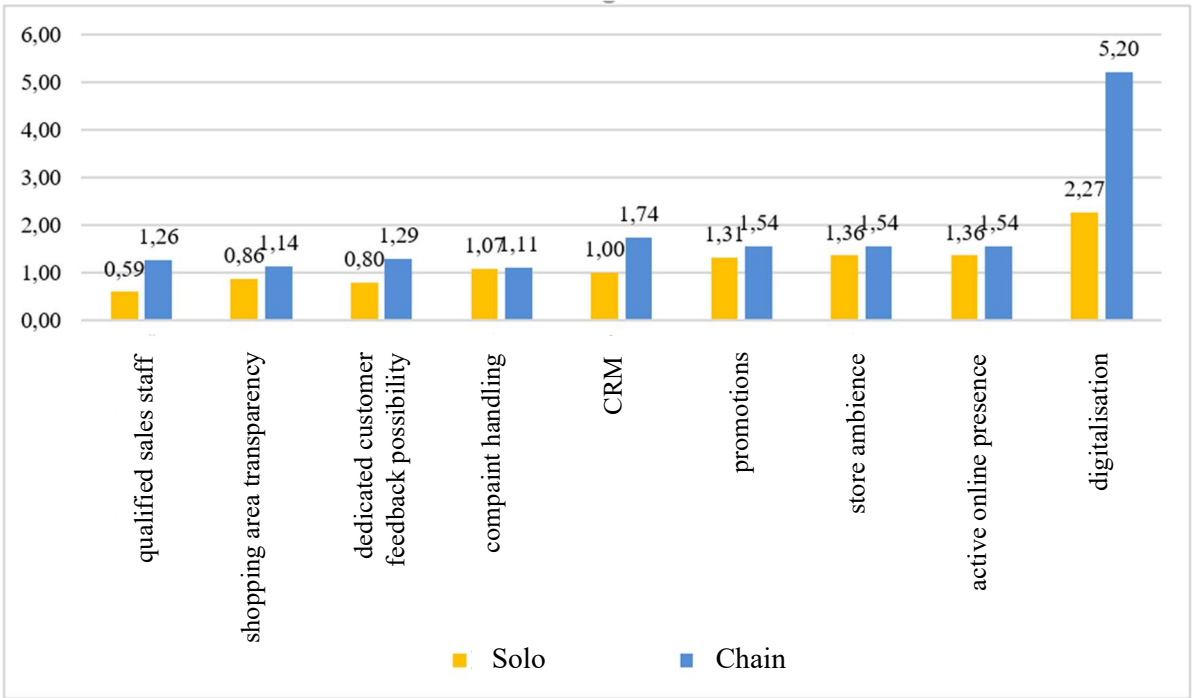


Figure 10: Comparison of chains and solo stores in the implementation of certain factors

Source: Author’s own work

The implementation level of the following factors are significantly higher in case of chains: digitalisation, adequate number of qualified sales staff, customer relationship management and providing a dedicated opportunity for customer feedback (Figure 10).

Digitalisation

Compared with chains, in case of solo stores a huge backwardness can be seen, especially in the field of digitalisation. Furthermore, chains place more emphasis on the implementation of the above-detailed factors (on average, at least five of these factors are realized), while in solo stores, only two or three of the six factors are realized.

This finding confirmed the results of a non-representative pilot study examining the level of digitalisation development and its influencing factors of companies in 2018 (Gonda and Farkasné, 2018).

Qualifications and experiences

By examining qualification, it can be clearly seen that there is a significant shift in favor of chains over solo stores in case of store owners and store managers (Figure 10).

Examining the prior work experience of business owners and store managers, it can be seen that in solo stores, even if they have such experience, this can be attributed to smaller companies. In contrast, in case of chains, store managers typically have relevant work experience in large enterprises with more than 251 employees.

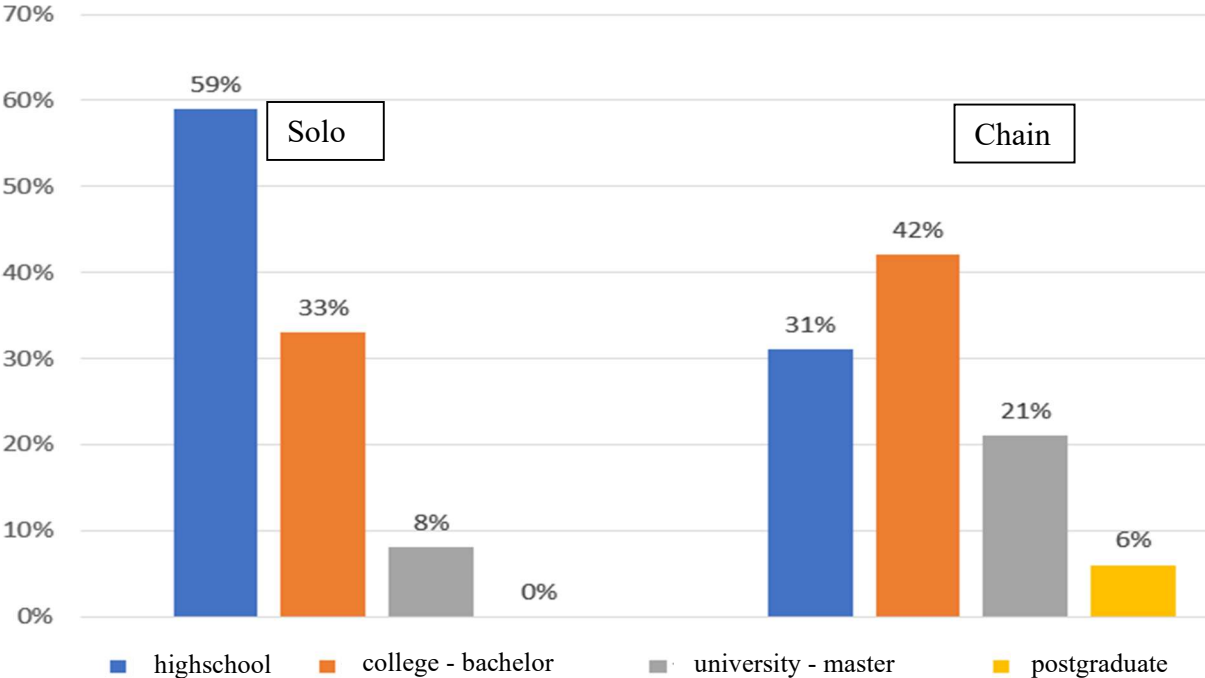


Figure 11: Qualification of respondents in solo stores and chains

Source: Author’s own work

As a conclusion, 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 favor of chains - between owners and store managers of solo stores and chains in terms of qualification and training as well as corporate - organizational experience. However, due to the small sample size, the generalization of the conclusions should be treated with caution, and confirmation needs further analysis.

H5 The largest difference between developed and non-developing companies is in the size and composition of intellectual capital.

Based on research findings, hypothesis H5 is supported. Furthermore, it was also confirmed that business and technological innovation is highly present in developed companies and they have a significant advantage in the field of intellectual capital also.

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.

4.4. New and novel scientific results

T1. In my research, the structure of fashion retail value chain and related market concentration was examined based on *concentration ratio (CR)*, *Herfindahl-Hirschmann Index (HHI)* and *margin and number of stores* supported by secondary and primary data. I proved that the margin related to the position in the value chain is a key success factor.

T2. To the best of my knowledge, I mapped and analysed the characteristics of the fashion retail stores in the largest premium location in Hungary for the first time, in addition, I performed an international comparison. I analyzed the margin-rent correlations and demonstrated the dominant role of global retail chains.

T3. Based on the extensive literature review and personal interviews performed in primary research, I identified the factors of purchase satisfaction, customer loyalty, and brand ambassador in the fashion retail premium sector, as well as assigned measurable factor indicators to them. To the best of my knowledge, my research was the first comprehensive analysis in the fashion industry using the PLS-SEM model.

T4. Based on the results of the structural model of PLS-SEM, I concluded that the process and quality of complaint handling has the greatest direct effect on purchase satisfaction (β 0.221). By examining the mediation indirect effects, I proved that customer loyalty is shaped to the greatest extent by complaint handling also.

T5. I contrasted the current practice of fashion retail stores presented in the primary research and the results of the survey of retailers' opinions with the results obtained from the survey of consumer expectations. I tested the compliance with Man-Whitney test. By analyzing the results I proved that the key success factor of chains is the better recognition of consumer needs and the corresponding business practices (greater customer loyalty, greater consumer relational capital). I also found that solo stores and non-developing companies have less intellectual capital, lagging behind chain managers in terms of qualifications and previous work experience gained at large enterprises. Another competitive advantage of chains is the higher level of digital development.

5. CONCLUSIONS AND RECOMMENDATIONS

Main research conclusions

The dissertation 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. In addition, the research demonstrates the characteristics and current players of international and national fashion industry and also the situation and future prospects of the sector.

Based on the related literature sources and research findings it is clearly seen that the integration of domestic fashion retail into global value chains took place extremely quickly after the change of regime. 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%.

As a key research area, the dissertation primarily focuses on the examination of domestic top premium locations and fashion retailers (Váci street, Fashion street, Deák Ferenc street, Andrásy street). Following characteristics were studied in detail: tenant mix, ownership background, place in the value chain, experience and time spent in the sector, brand awareness, store type (solo or chain, multibrand or monobrand). The main objective of this study is to determine what types and backgrounds of businesses are able to operate in this competitive environment.

Based on primary data, results indicate that the characteristics and development trends of the shopping streets of the world's major cities such as a high degree of concentration, vertical integration, and the dominance of the leading Western large companies can be seen in the top premium locations in Hungary.

Based on secondary data, parameters of premium locations in European cities were analysed and also the strength of the correlations among factors affecting rents was established. The results demonstrate that the amount of rentals is most affected by the number of population and tourists, in addition, the purchasing power of the population and the amount of the annual spending of tourists are the key factors.

Furthermore, 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 also. These main factors ensure the success of fashion retailers and their development potential.

The primary research was based firstly on personal interviews with several leading companies in domestic fashion retail sector, as well as managers and owners of smaller clothing stores. Secondly, primary data derives from a questionnaire survey conducted with approximately 18.000 consumers buying premium clothing products.

During the research analysis, sector-specific factors have been divided into two groups: external and internal factors. External factors include margin, rent, strength of brand, company size and goodwill. In parallel, internal factors consist of knowledge and compliance with consumer needs, store design and atmosphere, customer loyalty and satisfaction, sales staff, supply chain, marketing, change management and digital solutions.

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, the above-mentioned questionnaire survey was performed in order to acquire data on consumer expectations and factors developing consumers' value judgments about service quality. Respondents rated the importance of each factor on a five-point Likert scale. For data analysis a PLS-SEM model was used. Based on the results of the structural model of PLS-SEM, the way and quality of handling complaints has the greatest direct effect on consumer satisfaction (β 0.221), and as well as the greatest indirect effect on the loyalty and on the transition to brand ambassador from consumer. The professionalism and courtesy of sales staff is not a significant factor in consumer satisfaction and does not create permanent attachment or customer loyalty. The results confirmed the findings in the literature (e.g. Chen and Wang, 2009; Kahnemam, 2002; Kano et al., 1984) that consumers are satisfied with higher-than-expected level of profit and experience generating positive word of mouth. In contrast, lower-than-expected perceived performance greatly erodes previously built customer loyalty.

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 in the dissertation) 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.

In the analysis of retailers' opinions and practices, in addition to compliance with consumer habits following parameters of stores were also examined with relevant indicators: demographic and educational background of the owners, different degrees of experience and the level of implementation of key business areas.

Compared with chains, in case of solo stores a backwardness can be seen in their ability to respond dynamically to technological and organizational changes and in the level of digital transformation. The lower level of digitalisation can result lower efficiency and thus, it may be a disadvantage in all areas of these enterprises. Its main cause can be that these enterprises are unable to take advantage of the potential of data analysis. This means, among other things, that they are less able to know and predict customer needs accurately, and ultimately they are less able to meet consumer needs.

The main explanatory factors for the lag of solo stores may be the lower rate of the owners with higher education and the lack of their previous work experience in large enterprises. This is a significant risk-increasing factor in a continuously growing competitive environment.

Successful large foreign and domestic enterprises are characterized by becoming chain stores and being at the top positions in the value chain. These companies are predominantly branded manufacturer companies or retailers who buy directly from a manufacturer and conduct sales themselves through their own retail store network, thus being able to realize higher margins on sales than traditional retailers.

The competitive advantage of chains based on efficiency and company size further increases concentration. An increase in concentration may lead to a significant reduction in the intensity of competition in other sectors, however, in the fashion industry an extremely intense competition can be observed with fewer players.

By identifying and presenting the competitive factors, the dissertation can provide a substantial and practical contribution to the understanding and development of domestic 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.

Although the research has basically reached the expected research objectives, it also has certain limitations, mainly in the following aspects. The research mainly concerns the market segment of premium products. Despite the sample size, the consumer questionnaire survey is not representative in its composition due to the method of sampling and the willingness to respond.

By examining retailers, each type of stores (solo, chain) was treated as a homogeneous group, other factors such as family-non-family business were not examined. Moreover, only the top retail locations were included in the research - shopping malls and other street stores were not surveyed.

The conclusions that can be drawn from the personal interviews with retailers are not suitable for generalization due to the small number of samples, thus it requires further research.

However, in the light of research results so far, it can be stated that the research is worth pursuing in several areas.

Future research directions - suggested research questions and areas:

- The examination of top premium locations should be deepened and, if possible, modeled and quantified to what extent the rents of retail units in a priority location are influenced by the following factors: the amount of potentially available sales revenue, advertising and prestige value.
- The analysis of consumer behavior should be extended to customers in other segments such as followings: luxury, mass and second-hand clothing.
- The analysis of retailers should be carried out on a representative sample. Using the results of this current research, the elements of intellectual capital should be analyzed in more depth in terms of corporate development, with particular emphasis on elements of work experience, change management competence, education and skills, and digital intelligence.
- In small enterprises on a successful but not developing trajectory, the changes caused by generational renewal should be examined; and it should be explored what changes can be identified in the company's operation and development where higher education and work experience spent in a large company flows into the enterprise.

Based on the results obtained during the research, the following proposals and recommendations were formulated for the economic policy and corporate level.

Recommendations

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. Considering that behind the world-famous luxury fashion houses and large companies operating in the shopping streets, there are thousands of micro, small and medium-sized enterprises - often family-owned companies - whose situation has become vulnerable.

Possible forms of support:

- rents: providing business premises (both offline and online) for young businesses, designers or start-ups at a low price. As a starting step, the Paloma project (<http://www.palomabudapest.hu>) is already a good example of this, but a more significant state aid would also provide an opportunity for young businesses to appear in locations with higher footfall;
- launching education and training programs for domestic companies involved in fashion retail sector;
- motivation and support in digital development, digital transformation;
- providing support to experienced, successful businesses for international expansion;
- state involvement in the retail rental market in order to better protect the interests of domestic SMEs.

Corporate level suggestions:

- Domestic small and medium-sized enterprises should make more efforts to better understand and meet consumer needs and expectations. Small businesses not only need to recognize the importance and potential of data analysis, but also create its opportunity and culture.
- The process of handling complaints should also be integrated into the system of key performance indicators (KPI) in order to make this business area measurable and controllable.
- Enterprises should raise the level at which complaints (legitimate or not) are handled and become more lenient with customer objections - striving to preserve customer retention and business reputation.
- In the field of training, attention should also be paid to the development of emotional intelligence.
- Suggestions for career starters, such as designers who want to start their own business:

It is not worth starting without experience, not only because of the initial difficulties, but also because the lack of previous work experience gained in larger companies will be an obstacle in the long run. Becoming a successful entrepreneur is not primarily based on fashion design competence. Knowledge of corporate functions and processes has a greater benefit, therefore, it is worth investing several years of practice in a large corporate environment.

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