

# **Improving Retail Service Performance in Tough Times: A Focus on the Critical Success Factors in Italy**

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## **Introduction**

The pandemic and resulting digital pressures have put tremendous pressure on stores and their employees, leading to critical situations for retail managers. The objective of this study is to analyze the Critical Success Factors (CSFs) that have enabled retail organizations to survive and thrive during the pandemic. The concept of CSFs was first introduced by Daniel (1961) and later refined and discussed in detail by Rockart (1979). However, to date, few studies have examined CFS in the context of retail (Jamratanakul, 2019). According to Rockart, CSFs are the key variables that must be managed appropriately for the organization to survive. As the pandemic has reshaped the retail context, it is useful to apply such a model to see which factors have contributed most to the successful survival and rebirth of retail organizations, as these factors are likely to form the basis for development in the years to come.

## **Purpose**

We propose and test a theoretical model that analyzes multiple CSFs focusing on the factors influencing service performance. Following the literature on the Human-Organization-Technology-Fit model (HOT) (Yusof et al., 2008), we divide these CSFs into three dimensions: human factors (Nadeem et al., 2019; Liu and Lin, 021), technological factors (Ray et al., 2005), and organizational factors (Gillet et al., 2013a; 2013b; Rita et al., 2018) and relate them to service performance.

## **Conceptual framework**

In recent years, the service literature analyzing the friction between human factors and technological factors has seen an upsurge (e.g., Lee, 2017; Amelia et al., 2021; Riegger et al.,

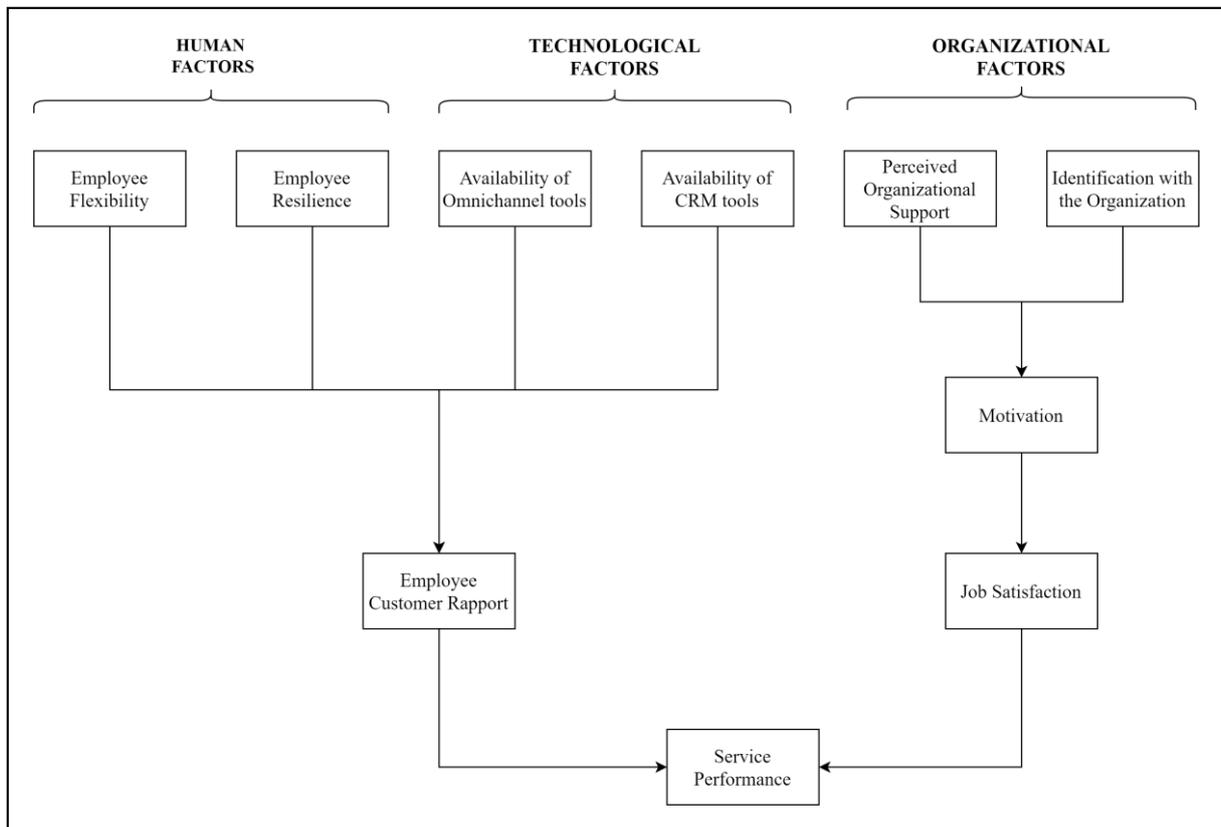
2021). Therefore, retail organizations need to properly manage these two fundamental variables to achieve service excellence and ensure an optimal customer experience (Makarem et al., 2009; Verhoef et al., 2009; Mason et al., 2022). For retail organizations, the human factor is the frontline staff or frontline employees (FLEs). Their peculiar characteristics such as flexibility, resilience, and initiative (Sok et al., 2021), add a human touch to service and improve the customer experience in the store. On the other hand, there are in-store technologies (Grewal et al., 2020). These can enhance FLEs' capabilities (e.g., CRM systems), but on the other hand, they can also diminish their role in certain stages of the customer journey, such as knowledge acquisition (Hochstein et al., 2021). Therefore, behaviors of FLEs that support technological innovation in retail are critical, as FLEs today need to engage with technologies to improve the customer experience (Siartri 2018).

Although several authors have recently highlighted technology as key to retail success (e.g., Moorhouse et al., 2018), this alone does not guarantee service delivery. The human touch still appears to be critical in retail service delivery. FLEs are a source of unique relational and emotional value for customers that automated technologies cannot provide (Solnet et al., 2019). FLEs can adapt to changing customer needs (Rego et al., 2014) and provide a unique service experience. FLEs can also transfer brand personality to customers (Sirianni et al., 2013), and consumers can identify with them and build strong relationships (Coelho et al., 2011). In other words, FLEs enhance the service experience (Ottenbacher & Harrington, 2009), provide excellent customer experiences, and strengthen long-term customer relationships (Delcourt et al., 2013).

In addition to human and technological factors, the literature also highlights the role of organizational factors in service performance (Cullen et al. 2014), particularly motivation, which in turn is related to job satisfaction (Chung et al. 2012).

Based on the above discussion, CFS can provide the framework for examining retail success factors in a critical situation such as a pandemic. As mentioned earlier, this study is based on the framework of HOT and conceptualizes employee performance as a function of three CSFs: human, organizational, and technological factors. A previous qualitative study (Massara et al., 2021) highlighted that human and technological factors are the critical success factors that improve retail performance by improving employee-customer relationships (Greve and Albers, 2006), while organizational factors are the critical success factors that improve retail performance by motivating employees (Darolia et al., 2010). This paper integrates CSF-based research (Massara et al., 2021) and empirically tests the HOT-fit model (Yusof et al., 2008) to predict retail success and development using a quantitative methodology. Figure 1 shows the theoretical model.

**Figure 1: Proposed theoretical framework**



## Methodology

The data were collected with the support of several retail companies. In particular, we focused on monobrand retailers, which include fashion, accessories, sports, beauty, jewelry, consumer electronics, media, entertainment, furniture design, automobiles, and other types of stand-alone brand stores found in city centers, outlet villages, shopping malls, etc. that in terms of retail represent the frontier of brand experience (Shahid et al. 2022). We focused on monobrand retailers because, among distributors, they were among the most heavily impacted by the pandemic from a financial perspective and were exposed to the digital acceleration that followed. The companies (5 retail brands and 5 outlet villages hosting 120 retail brands) that participated in our research distributed the questionnaire in their stores and asked their employees to participate in a research initiative. The anonymous questionnaire was developed after a thorough literature review and consisted of two parts. The first part examined the sociodemographic profile of the respondents. The second part consisted of 10 scales with response options on a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). The scales used were 1. Service Performance (SP, adapted from Hewagama et al., 2019), 2. Job Satisfaction (JS, adapted from Macdonald and MacIntyre, 1997) 3. Employee-Customer Rapport (ECR, adapted from Delcourt et al., 2013), 4. Employee Motivation (MOT, adapted from Gagné et al., 2010), 5. Perceived Organization Support (POS, adapted from Eisenberger et al., 2001.), 6. Identification with the Organization (IO, adapted from Mael and Ashforth, 1992), 7. Employee Resilience (ERES, adapted from Näswall et al., 2019), 8. Employee Flexibility (FLEX, adapted from Bhattachary et al., 2005), 9. Availability of CRM Tools (CRM, adapted from Sin et al., 2005), and 10. Availability of Omnichannel Tools (AOT, created by the authors). A total of 901 questionnaires were collected from September

2021 to May 2022. Incomplete questionnaires and respondents who failed the attention test were eliminated, leaving a usable sample of 684 completed questionnaires (70.9% female, mean age = 32.25). Smart PLS 3.3.7 was used to estimate the proposed theoretical model. Previously, we tested the validity of the measurement model (Hair et al., 2021). First, we evaluated the factor loadings. Each loading exceeded the threshold of 0.70. Second, we assessed internal consistency by examining composite reliability scores (CR). Again, all constructs exceeded the commonly used threshold of 0.70. Third, we examined convergent validity: All AVE values were above 0.50 for each construct, confirming that a sufficient amount of variance is shared between constructs and indicators. Finally, the heterotrait-monotrait ratio of correlations (HTMT) method was used to determine discriminant validity (Henseler et al., 2015). In our case, all HTMT values met the proposed criteria of  $> 0.85$ , except for the HTMT value between MOT and JS (Table 1).

**Table 1: Discriminant validity and correlations among constructs**

Construct	AVE	CR	SP	JS	ECR	MOT	POS	IO	ERES	FLEX	CRM	OT
SP	0,62	0,83	-	0,48	0,45	0,52	0,33	0,29	0,50	0,53	0,27	0,20
JS	0,75	0,90	0,54	-	0,38	0,79	0,65	0,47	0,34	0,26	0,33	0,17
ECR	0,66	0,85	0,60	0,47	-	0,50	0,30	0,36	0,42	0,30	0,31	0,29
MOT	0,67	0,89	0,60	0,93	0,63	-	0,61	0,55	0,42	0,32	0,37	0,17
POS	0,70	0,90	0,39	0,76	0,38	0,72	-	0,60	0,29	0,21	0,48	0,23
IO	0,79	0,88	0,35	0,59	0,48	0,69	0,74	-	0,27	0,24	0,39	0,20
ERES	0,73	0,89	0,65	0,40	0,54	0,51	0,34	0,34	-	0,52	0,22	0,21
FLEX	0,71	0,88	0,73	0,31	0,38	0,39	0,26	0,31	0,64	-	0,21	0,18
CRM	0,54	0,77	0,36	0,47	0,45	0,53	0,67	0,58	0,30	0,28	-	0,39
AOT	0,52	0,76	0,30	0,26	0,41	0,36	0,36	0,32	0,31	0,25	0,66	-

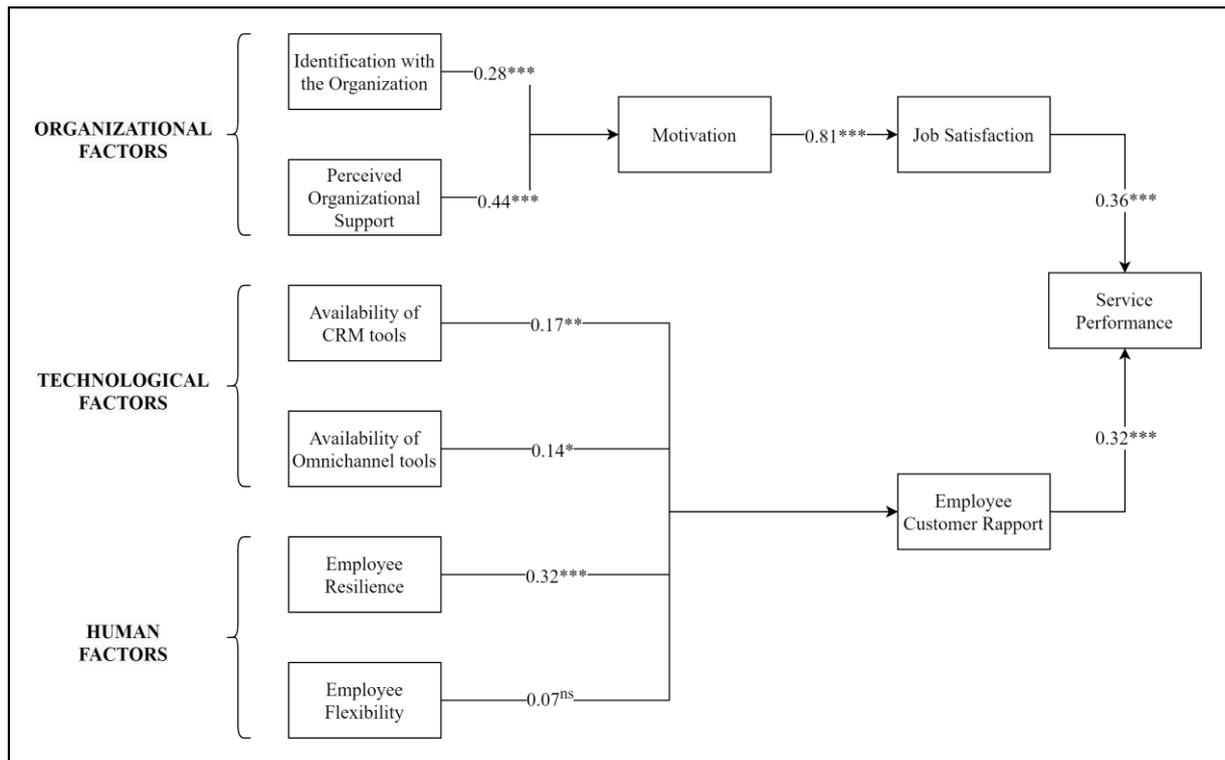
**Note:** HTMT values below the diagonal, correlations among constructs above the diagonal.

**Table 2: Estimated model**

Path	Path Coefficients			95% Confidence Intervals	
	Estimate	T-value	p-value	2,5%	97,5%
CRM → ECR	0,17	4,72	< 0,01	0,10	0,25
AOT → ECR	0,14	3,20	< 0,05	0,04	0,23
ERES → ECR	0,32	7,58	< 0,001	0,24	0,40
FLEX → ECR	0,07	1,66	= 0,10	-0,02	0,17
IO → MOT	0,28	5,66	< 0,001	0,18	0,37
POS → MOT	0,44	9,08	< 0,001	0,35	0,54
MOT → JS	0,81	38,14	< 0,001	0,76	0,85
JS → SP	0,36	9,15	< 0,001	0,28	0,44
ECR → SP	0,32	9,30	< 0,001	0,24	0,38

The detailed results of the structural model are shown in Table 2. The direct effects of external CRM (Coeff.: 0.17;  $p < 0.01$ ), AOT (Coeff.: 0.14;  $p < 0.05$ ), and ERES (Coeff.: 0.32;  $p < 0.001$ ) on ERC were positive and statistically significant. In contrast, the relationship between FLEX and ECR (Coeff.: 0.07;  $p = 0.10$ ) was not significant. The model showed a positive and significant effect on MOT for both POS (Coeff.: 0.44;  $p < 0.001$ ) and IO (Coeff.: 0.28;  $p < 0.001$ ), and the latter factor had a positive and significant effect on JS (Coeff.: 0.81;  $p < 0.001$ ). Finally, both JS (Coeff.: 0.36;  $p < 0.001$ ) and ECR (Coeff.: 0.32;  $p < 0.001$ ) had a positive and statistically significant effect on JP. Figure 2 shows the estimated model.

**Figure 2: The estimated model**



## Findings

In short, our findings confirm the validity of the HOT fit model as a proxy of service performance, and therefore of success in difficult times. The results suggest that retail organizations need to balance human, organizational, and technological factors to improve service performance, and that technology should be used integratively, not just substitutively, with frontline employees. In particular, human and technological factors are critical to improving the relationship between employees and customers and thus exert an indirect influence on service performance. Organizational factors, in turn, appear to be of paramount importance in contributing to service performance with the mediation of motivation and job satisfaction.

## Contributions

To our knowledge, this is the first study to apply the CSF framework in retail to examine the key variables that ensure business survival in difficult times. The results confirmed most of the relationships postulated by the HOT fit model. Of the two human factors studied, employee resilience had a positive impact on the retail staff's perceived relationship with customers. The model confirmed that resilience is an essential soft skill in difficult times such as the pandemic (Aguiar-Quintana et al., 2021). Second, technological factors were positively related to the relationship between employees and customers: For example, technology can serve as an important touch point for consumers and improve service performance through customer-employee interaction (Grewal et al., 2020). Third, organizational factors have been strongly associated with employee motivation. This confirms the importance of employee identification and perceived organizational support for employee motivation (Gillet et al., 2013a; 2013b; Rita et al., 2018), which leads to higher job satisfaction and service performance.

## **Practical implications**

Several practical implications arise from this research. Retailers should view technology as a tool to facilitate service interactions, not as an element that can replace human presence. This is because of the potential synergies between the human factor and technology and the stronger effect that the former exert respect to the latter on employee-customer rapport. The human factor is a source of unique relational and emotional value that can build trust and loyalty with customers. The technological factor is an element that can make interactions with consumers more fluid, accurate, satisfying and enjoyable. Keeping this in mind is also paramount for retail organizations to address the obvious frictions between the two elements under consideration (e.g., employees' fear of being replaced or their inability to use technology properly). Through organizational support (e.g., ad hoc education, especially during early technology adoption), companies can enhance the potential synergies between human and technological factors while reducing potential frictions and achieving higher levels of employee motivation and service performance.

## **Research limitations and outlook**

This study has some limitations. First, the sample included participants from a single country and monobrand stores; perhaps a more diverse sample could provide additional insights. Second, this study is based on self-report questionnaires, which may introduce some bias. Addressing these issues could provide additional insights into the interactions between human, organizational, and technical factors.

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