Effects of Online and Offline Stores on Apparel Brand Performance

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Abstract: The rise and continued expansion of online stores have prompted traditional fashion retailers to contemplate omnichannel strategies. Traditional physical stores have their own unique value, and online-only brands must consider whether it is worthwhile to establish an offline location. This article will investigate whether establishing a physical and an online store is advantageous for the brand. This research paper uses a systematic review and document screening as its methodology. The findings of this study indicate that opening both offline and online stores is likely advantageous for brands, such as in terms of increasing sales and boosting brand recognition. This assumes that the newly opened offline and online stores are of high quality and customer centric. The investment allocation between the two types of stores needs to be determined based on the market position of each brand. There is no simple answer to the question of whether the brand should invest more money in online or offline stores. For the long-term success of brands, omnichannel marketing is recommended.

Keywords: online store, offline store, apparel industry

1. Introduction

With the proliferation of mobile technology in recent years, more and more people now have access to mobile phones and tablets. As Internet accessibility has improved, the eCommerce industry has continued to grow. Increasing numbers of consumers are experiencing online purchasing. Even for traditional offline fashion retail businesses, the growth of online stores cannot be ignored. Both offline and online stores can influence the development of a brand. Understanding the impact of online and offline stores on consumers' propensity to purchase enables brands to make intelligent decisions: let dual channel (offline and online) retailers decide where to allocate their resources, should a purely online retailer open a physical store, and should a traditional store open an online store. Thereby boosting brand awareness, generating new leads, and increasing revenue. Consumers have different reasons for choosing to shop online or offline. Consumers may prefer online shopping because they have simple access to a wide selection of products and product reviews [1]. No need to invest a great deal of time traveling to and from the store and being restricted by business hours. It is more probable that identical products can be purchased at a discount from an online store. Despite the fact that online stores have numerous features that attract customers, physical stores are still indispensable. In a physical store, customers can experience the product and receive valuable advice from professionals. The in-store experience is a component of the consumer

journey, and in-store technologies can improve customer interaction [2]. Customers can maintain contact with the sales staff following a transaction. This sales staff is better equipped to provide customers with answers to their inquiries and to suggest new products they may enjoy. This article will investigate the impact of offline and online stores on apparel brands. Having an offline store has the following benefits: having a physical location to advertise the brand, providing the customer with a personalized unique shopping experience, and building a brand reputation. Having an online store also. Opening an online store for a brand also has many benefits: increasing the customer base and generating high-quality leads. This article will compare the characteristics that entice consumers to purchase offline versus online. This article will examine whether or not these characteristics are correlated with consumers' propensity to spend on apparel. This article will begin by delineating an online store and an offline store and discussing their unique characteristics. Second, this article will examine the effect of offline stores on the brand. The costs and expenses, store services, and after-sales services of offline stores will be discussed in this article. The third section of the article will examine the impact of online stores on the brand, with sales volume, repeat purchase rate, and brand awareness serving as the primary indicators.

2.   Stores

2.1.   Offline Store

An offline store, also known as a brick-and-mortar store, is a retailer that displays products in a tangible location. Typically, a physical store allows consumers to see and touch the product in person. Also, payment is made in person. In general, customers can take possession of their purchases immediately, without waiting for shipping. A display of clothes and accessories in an offline clothing retailer's store allows consumers to examine the merchandise in person. Customers have a clear understanding of the design and materials of the sold products. Customers can not only feel the color and design of the clothing but also put it on to evaluate its comfort and fit. In addition, the sales staff can provide consumers with customized guidance and decision-making assistance [2].

2.2.   Online Store

An online store is an e-commerce store, which enables the brand to showcase its products on a website or mobile application. The entire transaction should be conducted online, beginning with the customer's search for an item and finishing with the payment and delivery process. A digital catalog is utilized by an online store to display its products. Customers typically have a shopping cart to which they can add the products they want. The payment is also entirely electronic, requiring the consumer to have a credit card, debit card, or other electronic payment method. Customers are able to view other customers' feedback and product evaluations, as well as a vast selection of products, when they shop at an online store.

3.   Impact of Offline Stores on the Brand

3.1.   Costs and Expenses

The costs associated with establishing and maintaining an offline store are comparatively high, although they vary based on variables such as the size of the retail store. Before opening, the brand must purchase displays and equipment and decorate the storefront. Then, a physical store must pay rent and utilities, establish a legal entity, purchase business insurance, and pay its employees. The impact of the capital required to establish a brick-and-mortar store on the brand's capital chain, and whether this investment is worthwhile, should be considered by brands. In general, opening an

offline store reduces the purchase frequency of the online store, but increases overall purchase frequency and net revenue [3]. A number of online fashion retailers have opened physical locations. Matches Fashion, an online luxury fashion retailer, has established a store in London, United Kingdom. Bonobos, a brand based in New York that designs and distributes menswear, was launched online before opening numerous stores in the United States. Everlane, an American apparel brand that primarily sells online, has opened eleven stores across the country. The opening of a physical store will increase expenses but has the potential to increase revenues. A brand should also consider whether it would be profitable to establish an additional offline store, or whether it would suffice to open just one. A brand may also be concerned that opening an offline store will increase the number of returns and exchanges, as an offline store simplifies the return and exchange process. If this were the case, it would incur higher costs, which should also be considered. The return and exchanged size remained unaltered when an offline store was introduced [3]. Brands need not be overly concerned in this regard. According to Pauwels and Neslin's study of a shop, launching an offline store increases the overall return and conversion rate by 0.22 %. In offline stores, however, the average price of returned products is $2 less than in online stores. There were no significant cost changes associated with the exchange of products. Additionally, the opening of physical stores has increased the frequency of consumer purchases and boosted overall revenue. Thus, the opening of a brick-and-mortar store will slightly increase the total number of returns without having any negative effect on net revenue. The percentage of returns and exchanges does not indicate the commercial viability of a brand. Net profit should be of higher priority to brands. Therefore, brands need not fret excessively about opening physical stores that will increase the cost of returns and exchanges. Consider the previously mentioned brand, Everlane. Everlane is an American brand that was founded in 2010 in San Francisco, California. It was introduced as a pure e-commerce brand, retailing its self-designed affordable luxury clothing directly to customers. Michael Preysman, the founder of Everlane, stated that the brand was not going to open a physical store until it closed. However, in 2017, Everlane launched its first brick-and-mortar store in New York City, putting an end to its history as an online-only retailer. In the years following, Everlane expanded its offline store presence across the United States. They ultimately decided to pursue omnichannel retailing. Clearly, the introduction of brick-and-mortar stores has benefited Everlane. Otherwise, Everlane would not have opened additional physical stores and would have returned to an online-only model.

3.2. In-Store Service

A physical store can offer in-store services that an e-commerce platform cannot. When customers visit a physical store, they are immersed in the store's physical environment and can interact with the products and sales staff. Customers have a deeper understanding of the brand than when purchasing online. Customers will have a pleasant and enjoyable purchasing experience if the store staff is attentive. It is not enough to simply sell the customer clothing; they need to feel positive about the shopping experience and, by extension, the brand. In-store service encompasses a variety of facets, including interactions between sales associates and customers, the store environment, including furnishings, music, and temperature, and in-store technologies. In the fashion retail industry, staff-customer interaction is generally regarded as crucial. High-quality in-store service requires store employees to serve customers with an efficient and friendly demeanor, which may include: greeting and conversing with customers, recognizing and thanking repeat customers, and using their knowledge to assist customers in solving problems and making decisions. Good in-store service will have a positive effect on customer satisfaction and increase customer repurchase and recommendation rates [4]. Although in-store service has no direct effect on consumer brand loyalty, it makes customers perceive the brand as more favorable than its competitors. A comfortable store

environment provides customers with psychological comfort, making them more inclined to purchase and fostering better customer relationships [5]. Consequently, a brand's utilitarian interests are served by a store's comfort. Currently, in-store technologies are becoming increasingly diverse. In-store technologies consist of product displays, enhanced fitting rooms, Quick Response (QR) codes, self-checkout, etc. In-store technologies can improve retailer-customer interaction and purchasing experiences [2]. Interactive in-store technologies can make shopping more enjoyable, provide customers with a deeper comprehension of products and brands, and increase purchase intent. Consequently, superior in-store service has a positive effect on the brand's image and financial performance.

3.3. After-Sales Service

After-sales services have a significant impact on customer satisfaction and brand loyalty [6]. After-sales service is a service provided to customers who have concluded their purchases. The objective of after-sales service is to ensure that customers are satisfied with their product-related requirements and with their purchase and brand. Common after-sale services in the apparel merchandising industry include warranty service, repair offers, return and exchange service, and coupons or discount codes. For offline stores, having a connection with a client is advantageous for store staff. Customers are satisfied if store staff are always available to assist them [7]. A higher level of customer satisfaction increases consumer goodwill toward the brand and sometimes has the effect of spreading word-of-mouth. Service after the sale can generate secondary market transactions and encourage consumers to purchase additional products [8]. When a member of the store staff is attempting to assist a customer, he or she may share a product with the customer, prompting the customer to purchase additional items. This is typical in China's retail fashion industry. Frequently, store employees have customers' personal contact information and send them images of new arrivals and products they may enjoy. Typically, store employees are fast to respond to customers' messages and eager to address their inquiries. This type of customer-focused after-sales service is highly efficient and personalized.

4. The Impact of Online Stores on the Brand

4.1. Sales Volume

The market for online fashion retail continues to expand. The online fashion retail industry in the United States is projected to grow by $151.76 billion between 2022 and 2026, or 12.48% annually [9]. Many people now view online shopping as a leisure activity and purchase online on a weekly basis or more [10]. As their purchasing power increases, many young people who purchase online are likely to spend more money on online stores. Customers who buy online are distinct from offline shoppers. Customers who shop for fashion online frequently engage in impulsive purchases to avoid tedium [11]. If a brand opens an online store and makes online shopping uncomplicated and straightforward, sales are likely to increase. After opening online stores, fashion retailers also see an increase in international sales [12]. Introducing an online store will assist the company in adapting to globalization trends and expanding its consumer base. Consequently, opening an online store can boost sales and benefit the brand.

4.2. Repeat Purchase Rate

The repeat purchase rate is a metric that measures the proportion of customers who are willing to continue purchasing from the same retailer rather than transferring to a competitor. Repeat purchase in the apparel industry is when a consumer purchases clothing and accessories from the same

retailer. The repeat purchase rate is essential to a brand because it drives additional sales and reveals the extent to which customers like and trusts the brand. According to Mpinganjira [13], the rate of repeat online purchases is significantly correlated with customer satisfaction with the retailer. Customers can be retained by online fashion merchants who differentiate themselves from competing brands and provide personalized services. Online personalized recommendation pages increase the click-through rate of the products and then the recurrent purchase rate [14]. It is simpler for an online store to collect and store customer information and track shopping behavior than it is for an offline store. Online retailers are more likely to obtain the information required to make recommendations based on consumer preferences. This increases the number of products recommended to the consumer and their likelihood of being purchased. For instance, if a customer purchases a top, the online store may recommend a pair of pants in a similar design. This pair of pants is more likely to appeal to the consumer than other random items. This process does not involve high-pressure sales, so consumers do not feel compelled to purchase additional items and are generally at ease making decisions. Online retailers provide transparent pricing information. Customers will readily recognize a brand's positioning, even if they have never purchased or encountered it before. Therefore, customers feel less pressure when purchasing online because they can keep their budget private and avoid overpriced items. This may also increase the rate of recurrent purchases and expand the brand's revenue.

4.3. Brand Awareness

Brand awareness is the performance that a customer can recall and identify a brand. Brand awareness should also be considered when evaluating the performance of a brand, in addition to sales. A high level of brand awareness typically results in increased profits. Through digital channels, more information is obtained than through traditional methods. Online social networks are a highly effective method for attracting target audiences and increasing brand awareness [15]. A reputable online retailer has strong ties to online social networks. When a customer discovers and becomes intrigued by a product, they will likely conduct an Internet search for the product or brand. In addition, the image of an online store reduces the financial and time hazards associated with purchasing apparel products [16]. If the brand has an online store, it will be easier for consumers to interact with the brand. In addition to providing an additional sales channel, opening an online store can affect a company's brand awareness. Customers who purchase fashion products online are attuned to the product's familiarity and visual simplicity [17]. A well-maintained online store can meet these consumer requirements and increase brand recognition. A fashion brand that desires long-term success must devote sufficient resources to its e-commerce platform.

5. Conclusion

Comparing online and traditional stores, each has its own benefits and characteristics. In terms of cost and expense analysis, offline retailers need to account for rent, utilities, employee remuneration, etc. These administrative costs are significantly higher than the costs associated with creating and maintaining online stores. However, it is advantageous to establish the brand image and inspire customers with its style and culture. Based on an analysis of store service, offline store employees are able to communicate with customers face-to-face, assist customers in solving problems and making decisions, and provide customers with an enjoyable purchasing experience. Innovative in-store technologies will also provide consumers with a more distinctive shopping experience. The founding of offline stores is advantageous when strong customer-store relationships are established. Customers are more likely to be in favor of the brand if they have a positive offline shopping experience. Online retailers can reach more potential consumers and facilitate international sales.

This feature can increase the brand's sales volume. Online retailers can more easily collect customer information to forecast what they are likely to like and purchase. Customers are able to make a purchase decision based on their own needs, without being subjected to high-pressure sales tactics. This is because online stores can recommend relevant products based on customer preferences, and the prices are transparent. Online stores are very conducive to increasing the rate of recurrent brand purchases. Online stores are also advantageous for increasing brand awareness, as the digital image of a brand has a significant impact on consumer perceptions. Establishing physical stores will benefit an online-only brand. And opening online storefronts is also advantageous for brands that began as physical stores. With the development and proliferation of mobile technologies, an increasing number of customers are at ease and content with online purchasing. The online marketplace continues to thrive, reaching consumers regardless of their location and expanding globally. Meanwhile, offline stores will not be replaced because they offer a distinctive shopping experience and customer interaction. The current trend among fashion brands is to establish both offline and online stores.

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