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# Digitally Native and Direct-to-Consumer Brands Take to the Streets

This report looks at online and offline visit data to analyze why digital businesses are investing in brick-and-mortar stores and what can be learned from their success.



# E-Commerce Can't Erase Physical Retail

The pandemic accelerated an e-commerce boom that had been a long time in the making. Digitally Native Brands (DNBs) – brands that first launch online – as well as Direct-to-Consumer Companies (DTCs) – those that sell primarily through direct channels – thrived in this environment.

But while some doomsayers predicted (and not for the first time) the collapse of brick-and-mortar retail, foot traffic data continues to demonstrate the vital role physical stores play in the modern world. Brick-and-mortar locations can offer an immersive experience that is nearly impossible to replicate online while providing significant support to almost every aspect of a retailer's operational cycle – from customer acquisition to fulfillment to reverse logistics. As the dust settles on a post-pandemic retail landscape, it's becoming increasingly clear that even brands that were born, or primarily operate, in the digital sphere can benefit from an offline presence.

This white paper takes an in-depth look at DNBs and DTCs operating in the physical world. Using a variety of location intelligence metrics, the report reveals how a robust brick-and-mortar operation is critical for DTCs and DNBs looking to build brand awareness, streamline distribution, and drive consumer engagement. We'll also explore the ways in which digital brands are uniquely positioned to make the most out of physical stores.

## Growing Online, Growing Off

DTCs and DNBs have a lot to gain from growing their offline footprint, but perhaps the most straightforward benefit is simply more visits. And considering the increasing difficulty and [cost of acquiring new customers online](#) – especially for a DNB that enjoys high brand awareness in the digital sphere – [physical stores](#) are an efficient way to grow a customer base and maximize ROI.

In this section, we look at two DNBs that have recently increased their brick-and-mortar presence to understand how offline expansion helps DNBs grow their brands and audience.



Allbirds store, Livermore, California. Image: [shutterstock.com](https://www.shutterstock.com)

## Madison Reed: Delivering Speed

Madison Reed's recent [expansion](#) shows how a robust brick-and-mortar campaign can drive visits up both on and offline. The hair color company, which sells products for at-home application, [significantly increased](#) its online sales during COVID. At the same time, the company [more than tripled](#) its physical footprint in a little over a year, going from 12 locations in March 2020 to 38 venues in May 2021 – and then more than doubled its store count again to hit 75 Hair Color Bars in [November 2022](#).

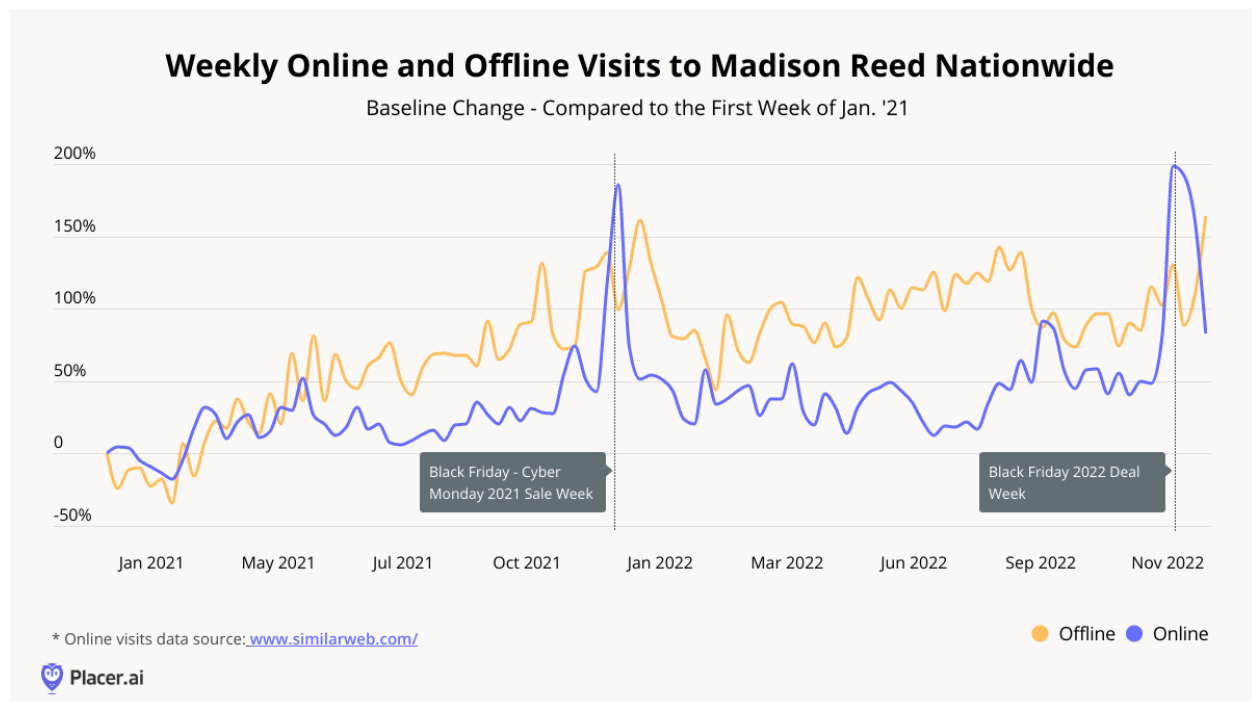
Diving into the foot traffic data reveals that Madison Reed's brick-and-mortar expansion has not only increased offline visits – the brand's online traffic has also been growing steadily. Interestingly, the offline visit peaks of the past two years closely followed online peaks, reflecting, in part, the growing role of Madison Reed's locations as [fulfillment centers](#) for customers picking up their online orders. Without a pick-up option, Madison Reed

would have been forced to compete with other brands on delivery times and shoppers may have turned to other retailers that could have potentially delivered sooner.

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By offering in-person hair care services and an extensive product selection on its e-commerce site, Madison Reed’s offline channels boost online visits to the brand and vice versa.

There is yet another reason why Madison Reed’s offline and online visits are growing in tandem. By offering in-person hair care services, the brand gives customers a very good reason to visit in-store. And if customers want to replicate their results at home, they can then buy Madison Reed’s products online – for delivery or pick-up – or return to the store to consult with the experts. In this way, Madison Reed’s offline channels boost online visits to the brand and vice versa.

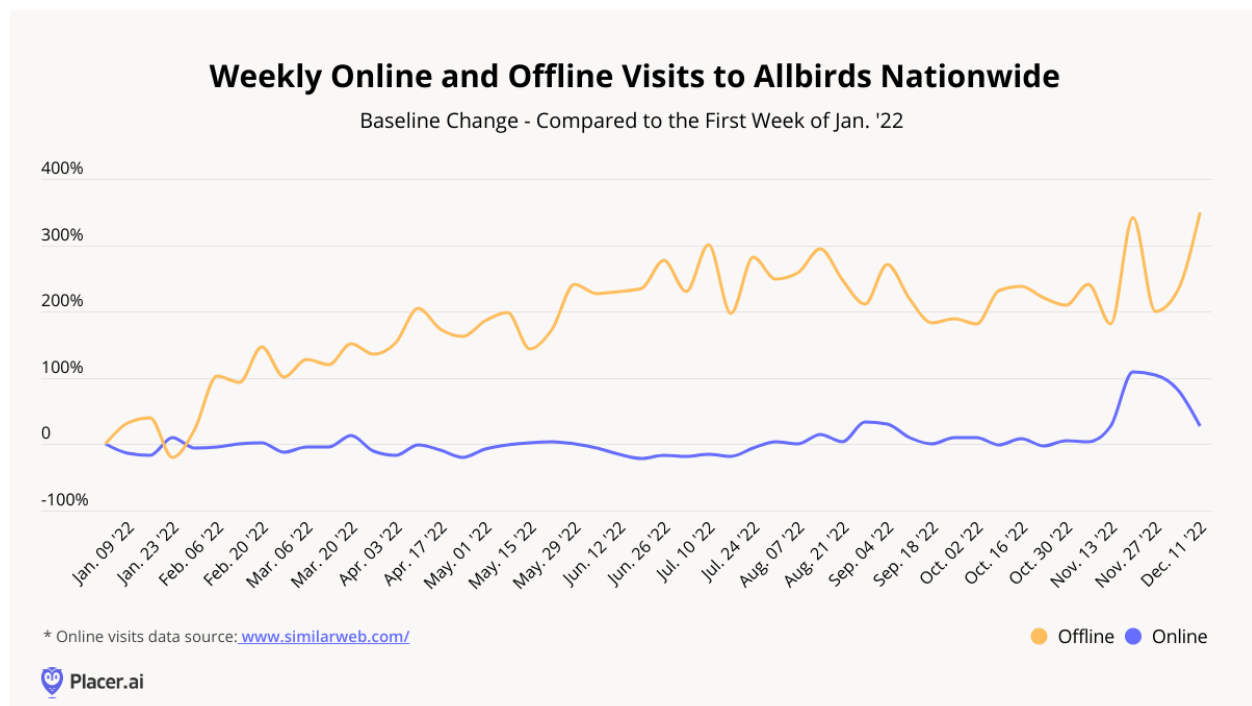


## Allbirds: Offline Visits Fly

While Madison Reed's offline expansion supports both online and offline traffic, Allbirds' growing [physical footprint](#) and [wholesale partnerships](#) show how brick-and-mortar expansion can be a path to efficient customer acquisition for a well-established DNB.

Allbirds – an eco-friendly footwear and apparel company – has maintained a relatively stable level of online visits for most of the year, except for an expected seasonal boost to online traffic in late November through mid-December. But thanks to the brand's [considerable offline expansion](#), Allbirds has been able to consistently grow its traffic even as visits to its online channel remained steady.

Analyzing the data shows that the company's bet on physical stores is paying off. The brand [reported](#) a 53% year-over-three-year (Yo3Y: 2022 vs 2019) increase in physical store sales during Q3 of 2022, and foot traffic data shows the brand nearly quadrupled its weekly foot traffic between the first week of 2022 and the mid-December 2022.



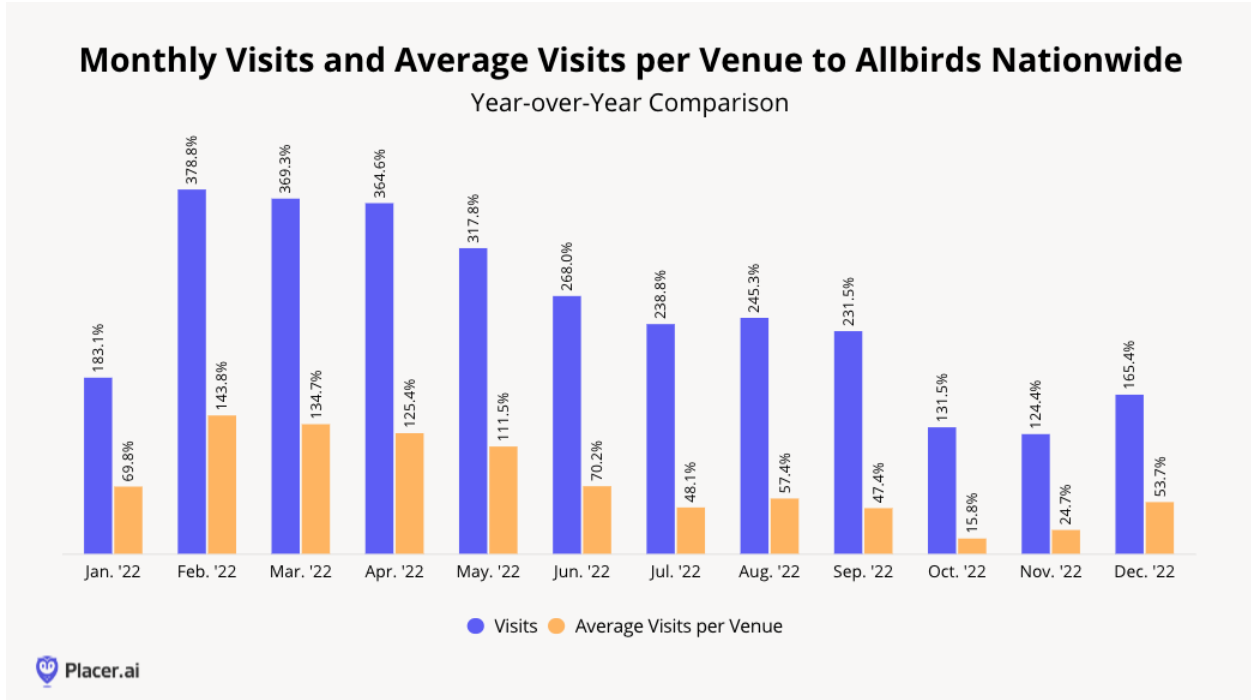
Even more impressive is that Allbirds' expansion not only increased its overall offline traffic – which is to be expected, since more stores means more opportunities for people to visit



the brand – but the number of average monthly visits per store also increased. Foot traffic data indicates that average visits per venue for the chain were up every month of 2022 relative to the equivalent month in 2021, perhaps due to the increased brand recognition and awareness generated by the company’s brick-and-mortar expansion.

“Through its strategic brick-and-mortar expansion, Allbirds’ succeeded in growing its offline traffic without cannibalizing visits to its existing store.

Allbirds’ elevated year-over-year (YoY:2022 vs 2021) visits and visits per venue indicate that the brand managed to drive offline traffic without cannibalizing visits to its existing stores – even while opening multiple locations in relatively [close proximity](#) to one another. Through an effective brick-and-mortar expansion strategy, the company enjoyed more locations – and busier ones – in 2022.



## Online Data: Offline's Secret Weapon

Every successful brand needs to understand who its customers are from a demographic, psychographic, and behavioral perspective. This knowledge informs all aspects of a brand's activities, from site selection to messaging and beyond.

Before the first customer walks into a physical store, DNBs already have an in-depth understanding of their target audience thanks to these companies' advanced e-commerce and analytics capabilities. Armed with extensive knowledge of their customer base gained through online channels such as their website and social media, DNBs know the type of customer they're selling to and who they're looking to attract their offline venues.



**DNBs can use location intelligence to select locations that will attract their target audience – and then use data from offline visits to further refine their customer personas.**

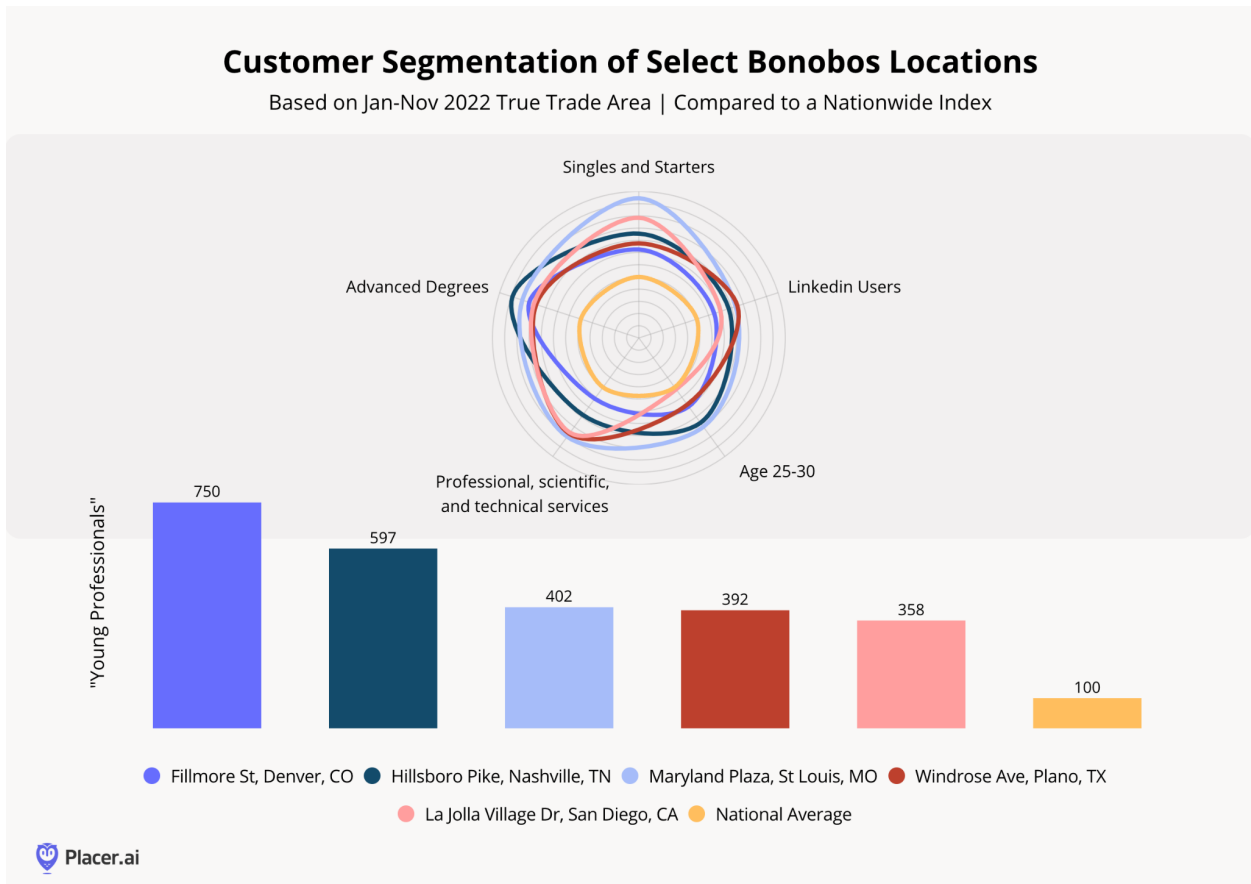
These brands can use location intelligence to select locations that will attract their target audience – and then use data from offline visits to further refine their customer personas and hone their branding and messaging. In this section, we'll draw on geospatial data to show how several DNBs have successfully built a store fleet that caters to their ideal audience segments.

### **Bonobos: A Perfect Fit**

**Bonobos** – acquired by Walmart in [2017](#) – is a menswear DNB that focuses on offering men great fitting clothes and an enjoyable shopping experience. The company carries a range of casual and formal apparel, as well as shoes and accessories.

Analysis of the [True Trade Areas](#) of some of the most popular Bonobos locations uncovers the demographic and psychographic characteristics of the chain's typical offline customers. [Location intelligence](#) reveals that, among other attributes, the typical Bonobos customer is likely to be young, hold an advanced degree, work in professional, scientific, or technical services, and use LinkedIn to advance his career.

The degree to which this persona defines the chain’s customer base varies by store, yet all of the stores analyzed serve trade areas where residents tend to be over-indexed for most of these attributes – indicating that Bonobos has chosen its store locations wisely.



### Away Travel: Visits Rolling In

Founded in 2015 by two former Warby Parker executives, [Away Travel](#) (or simply, Away) is a digitally native luggage and travel accessories company known for its durable bags. In contrast to Bonobos, which targets a specific subset of men, Away aims to serve customers across demographic groups. Still, Away consumers have one thing in common – they all have serious travel gear needs.

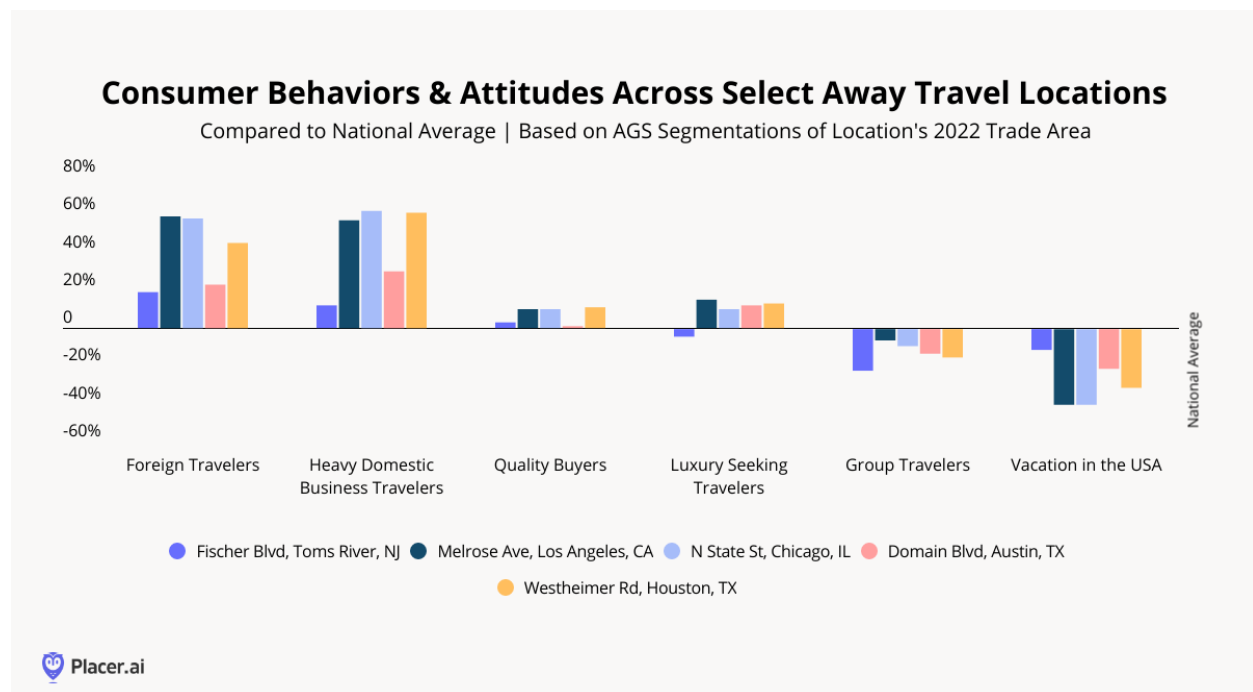




Visitors to Away's brick-and-mortar locations are more likely to travel abroad or to be heavy domestic business travelers, and are less likely to take domestic vacations.

Looking at the True Trade Area of top-performing locations from the past year highlights this unifying thread. When it comes to travel and lifestyle preferences, visitors to Away's brick-and-mortar locations are more likely to travel abroad or to be heavy domestic business travelers, and less likely to take domestic vacations. They prioritize quality products and are also likely to travel alone and seek luxury experiences. These characteristics of Away's offline visitors seem consistent with the profile of [the brand's online shoppers](#).

The travel and lifestyle preferences prevalent in Away stores' trade areas indicates a focused site selection strategy that attracts physical visitors similar to those who already shop Away's products online.

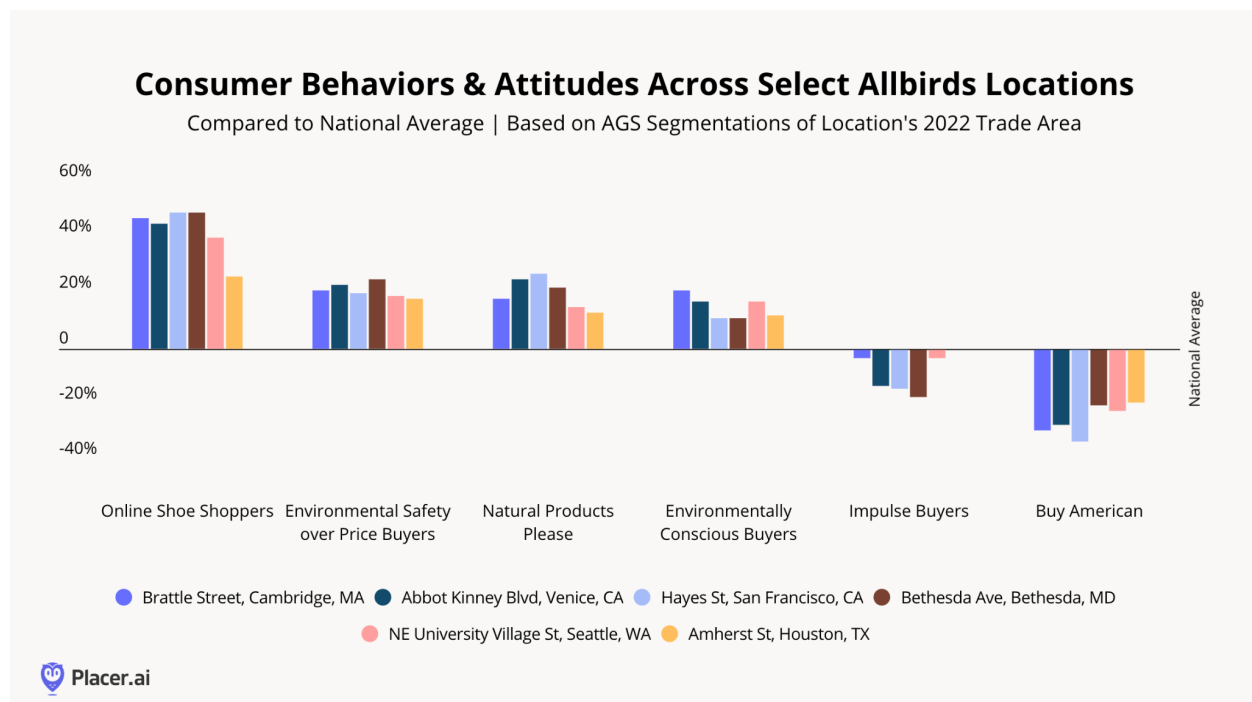


## Allbirds: Landing Firmly on the Ground

We've already mentioned Allbirds' offline visit growth – and the brand also presents another good example of a DNB's in-store visitors matching its online following.

Drawing on an [AGS consumer behaviors and attitudes](#) breakdown of residents of Allbirds' trade areas, we can describe the typical Allbirds offline visitor as an environmentally-conscious and diligent online shoe shopper who prefers buying natural products. The classic Allbirds guest is also generally less concerned about buying products made in the U.S. – significant, since Allbirds shoes are made in South Korea.

Since Allbirds' trade areas are over-indexed for non-impulsive online shoe shoppers, it's likely that the brand expects at least some customers to come to stores to feel the fabric and try on the products, deliberate at home, and ultimately make the purchase online. This psychographic insight may explain Allbirds' decision to open [experiential stores](#) that don't necessarily emphasize immediate purchases.



## Elevating Experiences

Allbirds' experiential stores is one example of DNBs and DTCs drawing brick-and-mortar locations to facilitate discovery. While e-commerce may allow customers to conveniently shop from the comfort of their homes, an online store can't replace the feeling of browsing physical racks, trying on products, or feeling fabrics and materials first-hand. DNBs and DTCs that use their store fleet to engage customers on an experiential level can create a lasting impression of the brand that promotes growth both on and offline.

### Spending Time At Flagships

DNBs and DTCs are known for large flagship locations that embody the atmosphere and values of the brand. Flagship stores, which often serve as hubs for events, give visitors the opportunity to experience a brand and explore its products in an immersive and interactive way. Flagships communicate what brands stand for and are catalysts for connection with their audience.



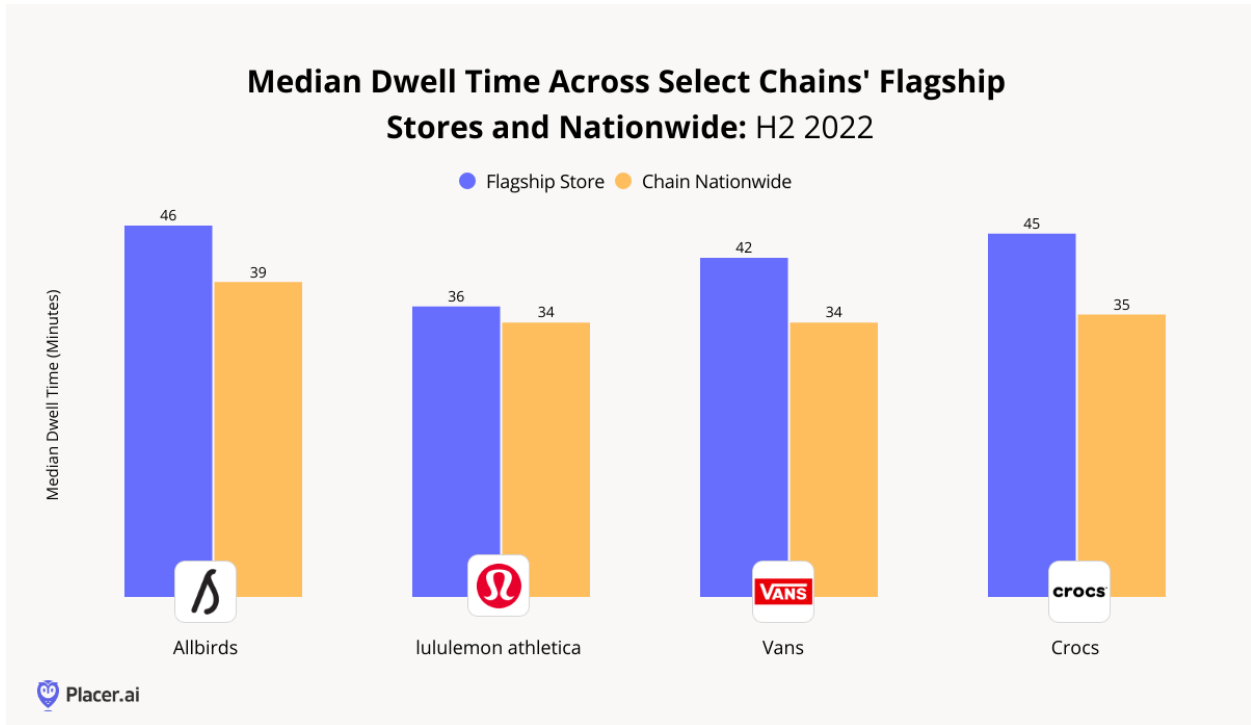
Lululemon store in Manhattan, New York. Image: [shutterstock.com](https://www.shutterstock.com)

To understand the importance of flagship stores to DTCs and DNBs, we compared the median dwell time of select brands' flagship stores to the median dwell time across their respective chains.

“Customers spend more time in flagship stores than they did in regular stores, indicative of flagships' ability to engage customers.

Specifically, we compared median dwell time for the flagship stores of Allbirds, Crocs, and Lululemon in New York City, and Vans in Los Angeles to that of the nationwide chains. Data for the first half of 2022 clearly shows that customers spent more time in flagship stores than they did in regular stores, indicative of flagships' ability to engage customers.

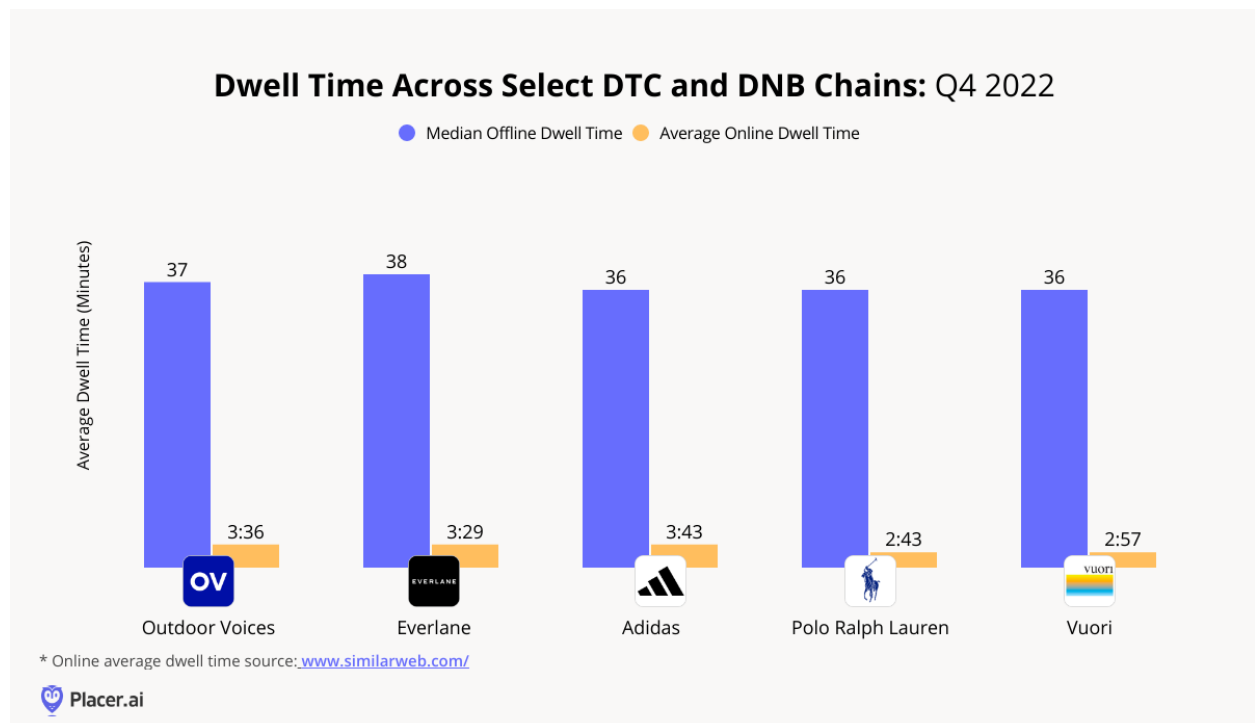
By offering [experiences](#), flagship locations motivate customers to spend more time in-store, which ultimately translates to greater engagement with the brand and its values.



## There's No Comparison to Offline

It's not just flagships that can greatly increase visitor dwell times. Looking across several chains, we see that in Q4 2022 visitors spent significantly more time per visit at brick-and-mortar stores than they typically do at online ones. The longer offline dwell times indicate that physical stores facilitate discovery in a way that is not possible online, as consumers visiting a brand's location are likely taking the time to discover the latest collection, feel new fabrics, and try out items.

This suggests that DNBs and DTCs – and any retailer looking to engage its audience and provide a positive experience and added value to its customers – may want to consider investing in a brick-and-mortar fleet.



## Alo Yoga: Turning Stores into Community

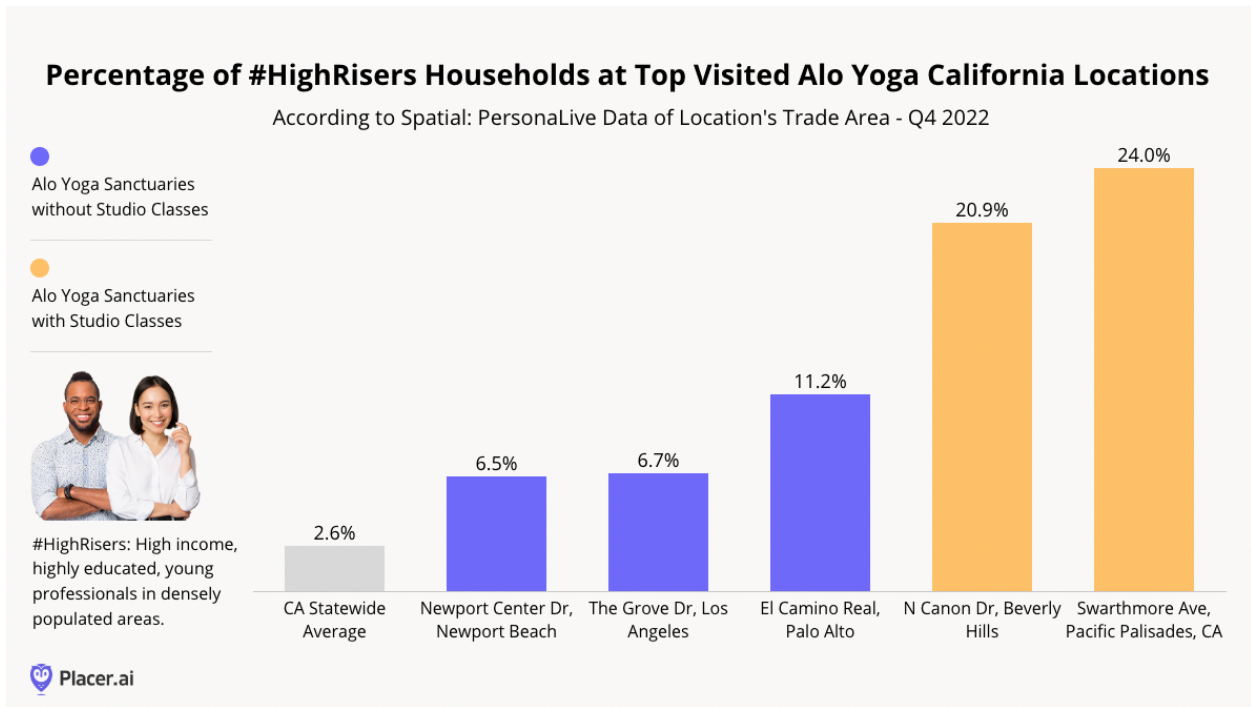
Experiences don't just increase the time spent at a location. They transform stores into building blocks of a loyal community which in turn attracts high-value foot traffic.

Founded in 2007, [Alo Yoga](#) (or Alo) opened its first [brick-and-mortar store](#) in 2016 and has established itself as an apparel favorite of yogis. But Alo does more than just sell clothing – the company also looks to foster community among its consumers by investing in both [virtual](#) and physical classes and events.

Alo’s locations, also known as Sanctuaries, attract a specific type of customer. Analysis using [Spatial.ai PersonaLive](#) segments of frequently visited Alo locations in California – the state with the most Alo stores – reveals Alo store trade areas have a high percentage of #HighRisers. These are high-income, highly-educated professionals in densely populated areas that are also big spenders.

“By offering in-store classes, Alo builds communities that engage high-value consumers.

And even among Alo locations in the California, the two Alo locations that offer studio classes still stand out, with trade areas where a whopping 20.9% and 24.0% of households fall into the #HighRisers segment. By offering classes, Alo stores build communities that engage sought after high-value consumers.





# No Replacement for Brick and Mortar

E-commerce has grown significantly in recent decades as a highly appealing channel for retailers – and for good reason. Opening an online store is relatively easy and allows brands to potentially reach billions of customers instantaneously.

But as we've highlighted in this report, online retail is not rendering physical stores obsolete – instead, brick-and-mortar venues still have a critical role to play in building out a modern retail business. And when it comes to customer acquisition, brand building, and audience engagement, brick-and-mortar stores still hold significant advantages over a digital-only presence. As e-commerce growth [slows](#) and online and physical retail move towards an equilibrium, DNBs and DTCs are likely to ramp up investment in store space and continue reaping the multiple benefits of a strategically brick-and-mortar fleet.

## Key Takeaways

1. **A physical store presence can promote both offline and online growth.** In addition to in-store shopping and services, customers use Madison Reed locations to pick up orders placed online. The convenient fulfillment option drives even more traffic to the brand's online channels.
2. **Store fleet expansion can serve as an efficient customer acquisition strategy.** Allbirds has been increasing its store count – and overall visits along with average visits per venue have increased as well. And the brand managed to grow its offline traffic without cannibalizing visits to its existing stores, perhaps thanks to the increased brand awareness that comes from a bigger store fleet.
3. **Digital brands have a wealth of information about their online customers that can inform their retail site selection and store layout.** Brands like Bonobos, Allbirds, and Away Travel appear to capitalize on this advantage by placing their offline stores in areas that will attract the type of customers who are loyal to their brands online.
4. **Brands that invest in experiences increase face time with visitors.** Flagships typical of DNBs and DTCs, and physical retail stores in general, provide experiences

that increase dwell times – which likely translates to high consumer engagement and a longer-term relationship with the brand.

5. **High-value visitors seek community.** Alo Yoga stores that offer classes bring in more high-income customers than those that don't. By offering classes and a physical space where like-minded people can come together, Alo Yoga maximizes the potential ROI of its brick-and-mortar locations.