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THE IMPACT OF PHYSICAL STORES VS. DIGITAL CHANNELS ON BRAND
EQUITY AND IMAGE: A COMPARATIVE STUDY ON LUXURY AND NON-LUXURY
BRANDS – AN ANALYSIS OF NON-LUXURY BRANDS

How Does the use of Physical Stores vs. Digital Channels Affect Brand Equity and Image
for Luxury vs. Non-Luxury Brands?

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Abstract

This study explores how physical stores and digital channels shape brand image and equity in luxury and non-luxury fashion. Luxury brands depend on physical stores to create exclusive, immersive experiences, using digital channels to broaden awareness and desirability while upholding their exclusivity. Non-luxury brands, on the other hand, use digital channels for broader reach of customers and trend responsiveness, with stores adding credibility and trust. Based on expert interviews and literature, findings reveal that both industries thrive with an integrated omnichannel approach.

Keywords

Business Model, Physical vs. Digital, Fast Fashion Business Model, Mass Fashion, Luxury Fashion, Brand Image, Brand Equity, E-Commerce, Omnichannel

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1. Introduction

The fashion industry, a key driver of global economic and cultural trends, has undergone significant transformation due to digitalization and shifting consumer behaviors. Today, physical and digital retail channels are indispensable for brands striving to stay relevant and competitive. Luxury and non-luxury fashion brands face unique challenges and opportunities in integrating these channels to enhance their brand image and equity (McKinsey, 2023).

Luxury brands have traditionally relied on physical stores to convey their exclusivity and heritage, with flagship stores serving as immersive brand showcases. However, the growing demand for convenience and seamless online engagement has compelled even the most prestigious brands to adapt to digital platforms (DeAcetis, 2020). In contrast, non-luxury brands adopted online strategies earlier, leveraging digital channels to build awareness and drive sales at scale. Despite their differences, both industries place significant focus on the importance of an omnichannel approach in creating a seamless and cohesive consumer journey. By integrating diverse touchpoints, such as online platforms and physical stores, into a unified framework, this strategy ensures consistent messaging and personalized interactions, ultimately enhancing consumer engagement and satisfaction while fostering a more interconnected and intuitive experience (Kirschniak et al., 2024).

As the industry continues to evolve, the interplay between physical stores and digital channels has emerged as a critical factor in shaping brand equity and image (Jocevski, 2020). This study explores the critical question: “How does the use of physical stores vs. digital channels affect brand equity and image for luxury versus non-luxury brands?” The study explores how these channels influence brand equity and image across both luxury and non-luxury industries in Central Europe, a region characterized by diverse market dynamics and cultural nuances (Stéphane, 2024). In a post-COVID-19 world, where e-commerce adoption has accelerated and physical retailers are reimagining their spaces for experiential engagement, understanding

this relationship has never been more relevant.

1.1. Motivation and Research Gap

The literature examines physical and digital channels for luxury and non-luxury brands, highlighting drivers, challenges, and trends. This body of research offers a solid foundation for theoretical analysis of how different channels influence brand perception. Although existing studies have investigated the impacts of physical and digital channels on brand equity and brand image, a clear gap remains in understanding their combined influence and how these channels interact to shape brand image (Becagli & Milanese, 2021). Furthermore, there is limited research comparing the role of these channels across luxury and non-luxury fashion industries, particularly in highlighting the differences in how physical and digital channels contribute to brand equity and image in each industry. This dual comparison – of channels within each industry and between the two industries – provides a crucial area for further exploration. The findings regarding the impact of physical stores and digital channels on brand equity and image are not entirely consistent, particularly when analyzing their implications across luxury and non-luxury markets. For luxury brands, some studies emphasize the benefits of physical stores in reinforcing exclusivity and customer loyalty, while others note that digital channels, by broadening reach, can either support or dilute brand equity depending on the brand's strategic positioning (Roberts, 2020). Non-luxury brands, on the other hand, are often examined through the lens of their business models, typically relying on isolated case studies that focus on specific brands (Caro & Martínez-de-Albéniz, 2015; Costinhas, 2023; Larsen, 2024). Furthermore, the literature on non-luxury brands is limited, particularly regarding brand image and equity, and lacks focus on how the integration of digital and physical channels specifically impacts their brand image. In the case of luxury brands, much of the literature underscores the unique value of the in-store experience, yet there is limited research on strategies for effectively integrating digital channels without compromising exclusivity

(Becagli & Milanesi, 2021). This gap calls for research bridging theory and practice to understand channel impacts on brand equity and image in both industries.

1.2. Hierarchical Structure of Fashion

This paper examines the fashion industry – broadly defined as the clothing sector – where multiple actors produce designs and garments intended to appeal to customers (Godart, 2012). The fashion pyramid is a framework that illustrates the hierarchical structure of the fashion industry, ranging from mass market and middle market to luxury. It is important to note that the classification of brands into different categories varies from country to country. The grouping below reflects the positioning of fashion brands in Central Europe.



Figure 1. The Fashion Pyramid

At its base, the mass market is largely driven by fast and ultra-fast fashion. Both are characterized by rapidly produced, trend-driven items offered at low prices and catering to a broad audience. Fast fashion is characterized by multiple collections per year. Zara for

instance launches 24 different collections, while H&M launches 12 to 16 new collections a year. In recent years, however, the new business model – ultra-fast fashion – has emerged, operating online-only with lower prices and high production rates. SHEIN, for instance, releases 700 - 1,000 designs daily (Weitemeyer, 2023). Due to their online-only business model, this market will not be considered in this study. Moving up the pyramid, the middle market consists of sportswear and premium industrial brands, which provide higher-quality clothing to a loyal customer base, while still maintaining accessible price points (da Silveira, 2024).

The luxury industry, positioned at the top of the pyramid, is divided into four distinct levels. The lower two levels are relatively attainable to a selected market, whereas the upper two levels remain exclusively available to approximately 4,000 clients worldwide. Diffusion Collections broaden the appeal of high-end designers by presenting more affordable adaptations of their signature collections. Designer Collections, on the other hand, represent exclusive, high-quality fashion that cater to a smaller, select clientele (da Silveira, 2024).

At the top of the fashion pyramid, Demi-Couture and Haute Couture stand apart from other categories by offering timeless, handcrafted fashion that transcends seasonal trends, highlighting exceptional artistry and prestige. Demi-Couture blends couture-level craftsmanship with ready-to-wear elements, delivering extremely high-quality, limited-edition pieces. Haute Couture, the ultimate expression of luxury, consists of custom-made, handcrafted designs, often tailored specifically for individual clients, representing the highest standard of bespoke fashion (Segura, 2019).

This thesis will focus exclusively on mono-brands, retailers that represent a single brand, within the European mass market and luxury industries. Furthermore, the analysis of digital channels will be limited to each brand's own website and e-commerce strategy. In the luxury industry, we will concentrate on Haute Couture and Designer Collections represented by

renowned brands like Givenchy, Gucci, Louis Vuitton, Dior, and Chanel. These brands masterfully blend exclusivity with attainability, offering high-quality, and cutting-edge designs that define the essence of luxury. In contrast, we will focus on mass fashion, especially fast fashion, which dominates the market due to its affordability, fast production and ability to adapt quickly to new trends. This model makes fashion accessible to a wide audience. Key brands in this category include H&M, Zara (Inditex), Gap, Uniqlo (Fast Retailing), Topshop, Forever21, Mango and many others (Caro & Martínez-de-Albéniz, 2015).

1.3. Brand Image and Brand Equity

Brand image and brand equity are closely intertwined, with brand image playing a crucial role in shaping and enhancing brand equity (Lee et al., 2014). Brand equity is the value a brand adds or subtracts through “perceptual associations, symbolic meaning, relationships, and social impact of a product, service, idea, place,” and/or financial performance (Parris & Guzmán, 2023). Among the factors influencing brand equity, a strong and positive brand image is the most important driver. While brand identity – what a brand intends to portray – also has an impact on brand equity, its influence is less significant compared to brand image, which reflects how consumers perceive the brand (Tuominen, n.d.). Brand image is defined as “the sum of a customer’s perceptions about a brand generated by the interaction of the cognitive, affective, and evaluative processes in a customer’s mind” (Lee et al., 2014). Thus, consumers perception is essential for establishing strong brand equity. This is achieved through consistent marketing efforts and consumer experiences, enhancing their competitive position in the market (Lee et al., 2014). A strong, positive brand image leads to greater brand loyalty, increased customer satisfaction, and ultimately higher profits. These factors collectively enhance the brand's overall value, or its brand equity, thereby highlighting the direct correlation between brand image and brand equity (Haeriah et al., 2023).

2. Methodology

To address the research question, it is essential that the unique characteristics, business dynamics, and key trends of the luxury and non-luxury industries are explored. This requires first examining the comparative impact of physical stores and digital channels within each industry on brand equity and brand image. After examining the existing literature for luxury and non-luxury brands, the findings are then analyzed across the two industries to identify and compare their differences and similarities, offering a comprehensive understanding of how these channels influence brand equity and image in both markets.

The methodology integrates secondary and primary research. Secondary research involves a thorough literature review of studies, reports, and articles to thematically organize insights and highlight areas of consensus and debate. Due to limited industry-specific data on digital and physical retail strategies, the study takes an exploratory approach (Berger-Grabner, 2022), using primary research to supplement theoretical findings with real-world perspectives. Primary research was conducted through semi-structured interviews with industry experts. Thirteen interviews were conducted with professionals from luxury (e.g., Louis Vuitton, Chanel) and non-luxury brands (e.g., H&M, C&A), in addition to consultants from both industries. This selection of experts provides balanced insights from both industries, covering a range of perspectives from roles such as Vice Presidents, CEOs, and managers, ensuring the insights are grounded in practical industry experience.

Each interview was conducted via Microsoft Teams, recorded, and transcribed. At the request of participants, transcripts were anonymized for confidentiality, and both anonymized and full versions were cited in the text. Expert qualifications are summarized in the appendix. The interview guide was thoughtfully customized to accommodate the diverse backgrounds of the interviewees and was made available in both English and German. Findings draw primarily from these interviews, while the discussion synthesizes insights from the literature review and

Group Part

interviews. Due to the limited industry-specific literature, the interviews were essential in capturing current perspectives and trends in the fashion retail industry. This combined approach of secondary and primary research offers a nuanced and comprehensive understanding of the digital and physical retail strategies in both industries, enabling meaningful comparisons and conclusions about future industry developments.

3. A Holistic Examination of the Non-Luxury Industry

To gain a deeper understanding of the comparative impact of physical stores and digital channels in the non-luxury industries, it is essential to explore the distinct factors, operational nuances, and prevailing trends that drive these markets. This analysis will provide valuable insights into their specific influence on brand equity and image.

3.1. Non-Luxury

Non-luxury brands provide affordable products that are accessible to a wide range of consumers, as their pricing is significantly lower compared to luxury brands (*Luxury Hardware Brands vs Non-Luxury*, 2023; Seifert et al., 2019). H&M's CEO Daniel Erv r emphasized this accessibility, stating: "We have a strong business concept, (and) a unique reach with our physical and digital stores (...). Our customer offering – fashion and quality at the best price in a sustainable way – is more relevant than ever" (H&M, 2023). As discussed, brands like H&M, Zara, Gap, and Mango fall into the mass fashion category, particularly fast fashion (Segura, 2019). The business model of this industry prioritizes speed, affordability, accessibility, and operational efficiency over high craftsmanship (Caro & Mart nez-de-Alb niz, 2015; CSWM-UI, 2023). This approach gained widespread popularity in the 1990s and early 2000s as brands like Zara and H&M transformed the global fashion industry. The term "fast fashion" was initially introduced in 1989 by the New York Times in its coverage of Zara's debut store opening in New York City (CSWM-UI, 2023). Today, fast fashion is an integral part of the clothing industry, led by major players like Inditex and H&M. Inditex, the world's largest clothing retailer, operates brands such as Zara, Massimo Dutti, and Bershka, generating €32.6 billion annually (Weitemeyer, 2023). Despite differences in business models across the mass market, certain common practices provide a useful foundation for comparing luxury and non-luxury business approaches.

3.1.1. Non-Luxury Business Dynamics

Fast fashion revolutionized the global clothing industry, shaking it up with rapid production, low prices, and fast adaptation to trends. By delivering runway-inspired styles to the masses with unparalleled speed and affordability, it has redefined consumer expectations. This chapter explores fast fashion's supply chain innovations, marketing strategies, omnichannel approaches, and the challenges it faces, including sustainability and high return rates.

Fast Fashion Cycle

Until the 1990s the traditional model of the fashion industry prevailed with production centered around two main seasons: Spring/Summer and Autumn/Winter. Collections for each season reached stores around the beginning of the year for Spring/Summer and after the summer for Autumn/Winter, with production starting at least six months in advance. This initial approach often led to misaligned demand and heavy discounts on unsold stock (Pouillard & Dubé-Sénécal, 2024). Fast fashion revolutionized this model by shortening design-to-distribution cycles from months to weeks through innovative supply chains (Cachon & Swinney, 2011). Brands delay design processes until trends emerge, rapidly responding to new styles and creating affordable, consumer-aligned collections that boost competitiveness and profitability. This strategy shapes assortments based on trends observed on catwalks, in fashion magazines, across social media platforms, and from prominent opinion leaders (Pouillard & Dubé-Sénécal, 2024) like the global fashion icon Chiara Ferragni (LLM Reporters, 2023). As a result of the dynamic assortment and quick response capability, fast fashion retailers can better align supply with demand, reducing the need for heavy discounts and increasing their sales margins (Pouillard & Dubé-Sénécal, 2024). New products are continuously launched throughout the year, independent of traditional seasons. The short life cycle of products creates a sense of scarcity, encouraging consumers to make quick purchases rather than wait for the end-of-season sale. The constant flow of affordable goods and

uncertainty of availability drive on-the-spot purchases, boosting store visits and sales (Li et al., 2014; Pouillard & Dubé-Sénécal, 2024).

Supply Chain Model

Various supply chain strategies have become popular among fast fashion companies operating both domestically and internationally (Dr. G.Lakshmi et al., 2023). These companies typically do not own production facilities; instead, they focus on their core capabilities, design and marketing, while outsourcing manufacturing to low-cost labor markets close to their target regions (Pouillard & Dubé-Sénécal, 2024). For instance, H&M's reliance on third-party suppliers contrasts with Zara's vertically integrated model, highlighting strategic diversity. H&M's approach provides flexibility and cost management, whereas Zara's model allows it to control production and respond rapidly to consumer demands (Göransson et al., 2007; Lanzolla & Markides, 2021). Overall, fast fashion relies on pull-based supply chains, responding to real-time demand by monitoring consumer behavior and adjusting design, production, and inventory to minimize waste. This contrasts with luxury brands' push-based supply chains, which forecast trends far in advance, producing exclusive collections that prioritize reliability over speed (NC state university, 2014).

A critical factor in fast fashion competitiveness is their ability to rapidly create and launch new products, known as "quick response". Advanced technologies monitor real-time sales and inventory, relaying data instantly to production and distribution centers. This enables streamlined design, logistics, and distribution (Pouillard & Dubé-Sénécal, 2024). To meet diverse product demands, fast fashion retailers manage two types of items. Basic items are repeated seasonally with slight variations, using efficient, cost-minimizing supply chains. This ensures reliable delivery since they are less time-sensitive and can be ordered much in advance. Fashion items, focused on the latest trends, require responsive supply chains for

quick design, manufacturing, and delivery to keep pace with rapidly changing consumer preferences (Mehrjoo & Pasek, 2014; Pouillard & Dubé-Sénécal, 2024).

A major challenge for fast fashion companies is managing high return rates, especially from online shopping (Saarijärvi et al., 2017; Chan et al., 2017), with up to 20% of purchases returned and rates tripling for online orders (EEA, 2024). Factors like uncertainty in product fit and the inability to physically inspect items contribute to these returns (Stöcker et al., 2021). The fragmented return process, often spanning multiple locations, creates delays that reduce resale potential and lead to markdowns (EEA, 2024). Thus, fast fashion companies must adopt innovative return management systems and reverse logistics, as quick reintegration of returns is crucial given short product lifecycles (Blackburn et al., 2004; Röllecke et al., 2018; Vogue Business & GXO Logistics, 2024). While predictive tools and analytics can optimize these processes, fragmented operations and limited data visibility remain barriers (McKinsey, 2021). Returned items are ideally resold at full price, but defective or out-of-style products may be discounted, donated, or liquidated. To encourage sustainability, the EU introduced a ban on destroying unsold textiles, with some exemptions for smaller companies (EEA, 2024).

Marketing and Pricing Strategies

Fast fashion brands such as Zara, H&M, C&A, and Mango (Caro & Martínez-de-Albéniz, 2015) captivate trend-conscious, price-savvy consumers through expertly tailored marketing strategies. By emphasizing immediacy, trend responsiveness, and accessibility, they create allure with rapid collection turnovers and a deliberate sense of scarcity (Gandhi, 2024; Pouillard & Dubé-Sénécal, 2024). Brands like Zara and H&M excel in quickly translating runway trends into affordable, ready-to-wear collections, allowing them to introduce new products frequently (Bhardwaj & Fairhurst, 2010). Zara, for instance, launches over 20 product lines annually and over 500 designs weekly, adapting to customer trends while creating urgency and novelty that drive frequent store visits (Ahmad, 2024). The retail

environment is crucial in making products accessible to consumers while enhancing the shopping experience. Visual merchandising shapes customer perception through window displays and store layouts, attracting consumers, guiding their movement, communicating product information, and driving quick purchases in fast fashion where speed and trend relevance are key (Barnes & Lea-Greenwood, 2010). This goes hand in hand with in-store experience being a critical marketing pillar for fast fashion brands to enhance trendiness and drive impulse buying. For instance, Zara employs minimalist, spacious store layouts, showcasing fewer items to foster a sense of exclusivity and urgency, thereby promoting impulse purchases. Store layouts and window displays are frequently updated to maintain a vibrant and dynamic appearance. Rather than heavy advertising, Zara relies on prime locations and word-of-mouth to enhance brand image (Aftab et al., 2018). Similarly, H&M focuses on enhancing customer satisfaction and understanding global market preferences by operating directly managed stores. These feature dynamic fashion assortments displayed in open, inviting spaces designed to encourage both browsing and purchasing. H&M seamlessly integrates physical and online shopping, emphasizing fast delivery, mobile payment options, and data-driven insights, all while showcasing a commitment to sustainable design in its flagship stores (Arrigo, 2018).

Besides marketing initiatives, promotional strategies also vary. Zara stands out by forgoing traditional advertising, instead relying on strategically located stores and eye-catching window displays to attract a steady flow of foot traffic. They rather work together with digital influencers than creating a buzz through billboards. Conversely, H&M engages in extensive marketing campaigns, including collaborations with designers like Karl Lagerfeld and celebrity endorsements like Kylie Jenner, drawing attention and creating a sense of exclusivity while keeping prices affordable. Additionally, they leverage social media extensively to market their products and drive sales (Gandhi, 2024). Recently, sustainability has also become

a key marketing element, with brands introducing eco-friendly lines, such as H&M's "Conscious Collection", to retain environmentally conscious shoppers without sacrificing the core fast fashion model (H&M, 2019).

The pricing strategies of non-luxury fashion retailers revolve around offering affordable, trendy clothing and are thus usually around the same price point (Caro & Martínez-de-Albéniz, 2015). However, pricing strategies differ across the fast fashion giants. H&M, for example, is known for its competitive pricing, targeting budget-conscious consumers, while Zara positions itself at a slightly higher price point, emphasizing the quality of its designs (Gandhi, 2024). Central to fast fashion's success is its reliance on data-driven pricing strategies, which reflect consumer demand and enables rapid introduction of new styles at competitive prices. This encourages quick purchasing decisions, minimizing excess stock, and keeping the supply chain lean and responsive (Le, 2023). End-of-season clearance sales are a common practice among retailers to liquidate stock and create space for new collections. However, their strategies for in-season promotions and markdowns vary. Some retailers employ dynamic pricing models that adjust prices based on demand and inventory levels, while others maintain a more traditional focus on regular seasonal clearances (Caro & Martínez-de-Albéniz, 2015; S, 2024; Şen, 2008).

Omnichannel Strategy

Physical stores play a pivotal role in shaping the customer experience and establishing a brand's credibility. While digital platforms have transformed shopping habits, physical stores remain crucial for non-luxury brands aiming to connect with their customers on a tangible level. These stores have evolved to complement digital platforms by serving as fulfillment centers for online orders and showrooms for product evaluation (Gao & Su, 2016). These stores are not merely points of sale; they are relevant touchpoints that offer unique benefits, foster trust, and create meaningful engagement that digital platforms alone cannot fully

replicate. Stores offer tactile, multisensory experiences that are essential for products requiring physical evaluation (Zhang et al., 2024). Additionally, fast fashion brands leverage physical stores to bridge the online and offline divide by offering omnichannel services “buy online, pick up in store” (BOPS), demonstrating the complementary nature of physical and digital channels. This drives foot traffic, fosters customer retention, and encourages additional in-store purchases (Gao & Su, 2016), underscoring the importance of physical stores in seamless omnichannel experiences and maintaining customer satisfaction. However, as the retail landscape evolves, physical stores face new challenges. While advanced technologies are essential for retailers, traditional attributes like skilled personnel, intuitive layouts, and product displays remain critical. Retailers must find new ways to utilize these foundational elements, blending them with modern innovations to create spaces that meet both practical and emotional consumer needs. This highlights the enduring importance of traditional values in retail, even as technology reshapes the industry (Bäckström & Johansson, 2024).

Meanwhile, digital channels have transformed the non-luxury market by offering accessibility and data-driven capabilities (Danish Competition and Consumer Authority, 2020). E-commerce has become a cornerstone of the consumer experience (Manneh, 2017), providing global reach and 24/7 access, allowing brands to connect with a broader audience and overcome geographical limitations (Cao, 2018). This has reshaped consumer behavior, with price-conscious shoppers using multiple channels for purchases. As a result, brands adopt omnichannel strategies that integrate all touchpoints to ensure seamless and cohesive interactions (Manneh, 2017, 2017; Rey-García et al., 2018; Silva et al., 2020). In response, fast fashion brands use digital tools like e-commerce platforms, mobile apps, and social media to boost sales and tailor offerings, with mobile apps gaining prominence due to growing network penetration and trust in digital transactions (Rey-García et al., 2018). For non-luxury brands, which often cater to cost-conscious consumers, online stores provide opportunities for

exclusive promotions, influencer collaborations, and trend-focused campaigns that appeal to their target group (Cheema, 2021). Moreover, digital platforms provide data-driven insights that empower brands to anticipate customer preferences, enhance their product offerings, and fine-tune marketing strategies; an essential edge in the fast fashion industry's competitive, low-margin landscape (Ertemel, 2015). Despite their strengths, digital channels face credibility challenges in establishing trust and authenticity (Septianto et al., 2022). This underscores the ongoing importance of physical stores, even in an increasingly digital world, as they offer the reassurance and authenticity that many consumers seek.

The solution lies in an effective omnichannel strategy, where physical stores and digital channels work in synergy to create a seamless customer experience. This approach leverages the strengths of both channels, integrating them to meet the evolving needs of modern consumers (Kozhevnikov, 2023). Supporting this shift, a 2024 survey revealed that over half of consumers research online before making major purchases. While online shopping continues to transform the industry, traditional retail remains highly relevant, with many consumers interacting with brands via both channels (Alda, 2024). To cater to these behaviors, a successful omnichannel strategy emphasizes a customer-centric focus, prioritizing convenience and satisfaction at every touchpoint (Bisaria, 2024).

3.1.2. Trends and Challenges in the Non-Luxury Industry

Non-luxury fast fashion brands face challenges like sustainability concerns and digitalization. To remain competitive, they embrace key trends and innovations to tackle these issues.

Environmental Cost of Fast Fashion

Fast fashion's rapid production cycles often result in significant environmental costs, including waste and pollution. To address this, brands are adopting sustainable, eco-friendly practices such as on-demand production and recycling initiatives (Dr. G.Lakshmi et al., 2023).

For instance, Inditex aligns with international standards like the United Nations Global

Compact and Sustainable Development Goals to minimize environmental impact, promoting human rights and transparency across its operations (*Sustainable Strategy*, n.d.). However, concerns remain over environmental impact and labor practices. Brands like H&M and Zara have been called out for greenwashing and poor working conditions for garment workers, particularly in developing countries, where adequate protections for workers are often lacking (Costinhas, 2023). These criticisms highlight the growing concerns over the gap between their sustainability pledges and operational realities. Both companies have made commitments toward more eco-friendly operations, such as H&M's net-zero pledge for 2040 and Zara's "Join Life" initiative promoting sustainable practices and materials. However, both are under scrutiny due to resource-intensive production and worker exploitation. Although strides have been made in using recycled materials and lowering emissions, achieving full transparency and significantly reducing their environmental footprint remain ongoing challenges. Adopting a circular economy approach is one way the industry could reduce waste and resource strain, emphasizing recycling, product longevity, and sustainable material use. The shift toward sustainability reflects growing consumer demand for eco-conscious practices. However, aligning operations with true sustainability goals remains a significant challenge (Costinhas, 2023; Maiti, 2024).

Increasing Digitalization of Fashion

The increasing digitalization of fashion has given rise to ultra-fast fashion, with online-only brands like Shein and Temu challenging traditional giants through aggressive pricing, rapid trend turnover, and digital-first strategies. This shift has intensified market saturation and margin pressure (Waldow, 2022). Moreover, the growing influence of social commerce and influencer marketing has led brands to leverage platforms like Instagram and TikTok, blending shopping with entertainment (Epifano, 2023). Lastly, personalization through data analytics has become essential for these brands, enabling them to offer customized product

recommendations and tailored experiences for consumers both online, and offline (Costinhas, 2023; Epifano, 2023). H&M personalizes its website with welcome pages tailored to consumer preferences (H&M, 2022), while Sephora’s loyalty program empowers staff to offer tailored advice and synchronizes offers across channels (Lindecrantz et al., 2020). Combined with localized global expansion, these strategies highlight a shift toward a more consumer-centric, tech-driven approach in fast fashion (Costinhas, 2023; Epifano, 2023).

4. Non-Luxury Brands Finding

4.1. Enhancing Brand Credibility Through Physical Stores

Physical stores play a foundational role for non-luxury brands, significantly contributing to brand image by offering tangible, experiential interactions that shape consumer perceptions. “The physical stores will continue to exist. I have no doubt about that at all”, remarked Terry von Bibra, underlining the continuing importance of physical stores. Similarly, Christine Keller from H&M emphasized that “physical stores are the core of our assortment ... and that’s how we create our full fashion picture”. This in-store experience includes curated trend displays, where products are grouped by themes to highlight brand identity and style direction. H&M uses these physical spaces to communicate its fashion-forward image through trend drops and coordinated presentations that customers can see, touch, and experience directly. By further tailoring assortments to align with local market trends, H&M solidifies the importance of its physical outlets in creating a cohesive brand experience (Interview Christine Keller). Catrin Scheer also stressed the lasting relevance of physical stores. Drawing from her past experience, she highlights how physical stores contributed to enhancing visibility and trust. She further believes that until today “it’s still very important, and (...) that physical stores still contribute to the image of the brand” (Interview Catrin Scheer). For Company Y, physical stores are historically significant, though their role has evolved within an integrated omnichannel strategy.

Terry von Bibra emphasized that store layouts are designed to serve different strategic purposes, depending on their type. Smaller stores, he explained, are primarily focused on transactional functions, such as enabling customers “to try on the goods” or “to return and exchange clothes directly in the stores”. In contrast, flagship stores go beyond transactional purposes and are “not just about selling, but also about presenting the brand in the best possible way” (Interview Terry von Bibra). Flagship stores thus reinforce brand values, create

memorable customer experience, and increase consumer affinity for the brand, while smaller stores remain focused on practicality and convenience.

C&A similarly regards physical stores as central to brand image, influencing how customers perceive and experience the brand through both collection presentation and customer service. Utkarsh Singh emphasized the significance of these stores, stating, “physical store(s) (are) more important, ...because many people still want to try their clothes before making a decision”, adding that stores are essential for ensuring the “family shopping destination” experience. C&A’s stores go beyond being mere shopping destinations. They are thoughtfully designed to provide personalized service, striking visuals, and unmatched convenience, reinforcing the brand’s identity as inclusive, accessible, and value-driven. However, despite these strengths, physical stores still face limitations. For example, C&A experiences discrepancies between online promotions and in-store availability due to variations in regional preferences and store sizes, which sometimes lead to differing assortments across locations (Interview Utkarsh Singh). H&M, on the other hand, balances the limitations of the physical stores by complementing its presence with “online-only pieces” (Interview Christine Keller).

4.2. Expanding Reach and Driving Fashion Innovation with Digital Channels

Digital channels have become essential for non-luxury brands, enabling them to overcome the limitations of physical store footprints and expand their reach into new markets. For instance, Company Y has strategically embraced online platforms as the main sales channel in non-core markets where stores closed for financial reasons. As Terry von Bibra explained, “the online channel in the UK plays the role of a brilliant opportunity to the offline stores... While outside the UK it is practically the only channel”, highlighting how digital platforms maintain brand presence in international markets where physical expansion is not feasible. Catrin Scheer underscored the growing significance of digital platforms in brand strategy, highlighting their pivotal role in establishing impactful marketing strategies. She noted that digital channels are

currently "the best way to (...) reach the desired customer" (Interview Catrin Scheer). Beyond extending reach, digital channels also support strategic decision-making. C&A, for example, leverages digital channels to test demand in new markets before investing in physical locations. Utkarsh Singh noted, "there might be cases where we try to get online presence first if we are entering a new market", helping brands assess market interest and make more informed expansion decisions.

In addition to strategic decision-making, digital channels provide non-luxury brands with the agility to adapt to fast-paced fashion trends, as demonstrated by H&M's online strategy. Christine Keller highlighted that their digital stores enable limited-time offerings and rapid responses to evolving customer demands. This flexibility allows H&M to address consumer preferences more dynamically, driving growth and enhancing competitiveness by meeting expectations for speed and variety. To address the limitations of physical stores, H&M uses a centralized online allocation system, sourcing from a single warehouse rather than multiple regional ones required for in-store operations. This strategy enables the brand to offer niche items at reduced costs while appealing to fashion-conscious customers with exclusive online-only pieces that might not be feasible in physical stores (Interview with Christine Keller).

From a logistical perspective, digital channels enable brands to offer an extensive inventory that surpasses the capacity of physical stores. H&M's global assortment strategy ensures that every item available in stores is also accessible online, supplemented by additional products exclusive to digital platforms. As Christine Keller described, "everything we have in store is also online. And then online has like extra pieces". These additional products, often referred to as an "excitement layer," including trendy, exclusive items that appeal to fashion-conscious consumers. Christine Keller further explained, "we are able to offer even more articles and clothes ... more exciting pieces of clothing online because we have one warehouse that distributes to the entire globe". Centralizing inventory management enables H&M to swiftly

adapt to emerging trends while maintaining agility, particularly with its exclusive online collections.

C&A further recognizes the importance of digital channels for offering larger inventories. Utkarsh Singh emphasized this benefit, stating, “with digital, you can have a lot more in stock compared to a small store. We also try to promote this in physical stores by encouraging customers to visit our online store if they need more colors or sizes”. However, he acknowledged the limitations of digital channels in replicating the personal and localized experiences provided by physical stores, remarking that he “believe(s) that size and fit are still aspects you need to check in person, especially with C&A” (Interview Utkarsh Singh). Additionally, digital platforms enable dynamic pricing strategies that enhance affordability, an essential factor for non-luxury brands. Online channels allow for flexible pricing adjustments, including exclusive discounts not always available in physical stores. Utkarsh Singh from C&A noted that “sometimes the discounts are higher online. So, in that sense, people prefer to buy online”. By offering price-sensitive strategies tailored to online shoppers, brands can maintain a competitive edge while driving customer engagement.

4.3. Complementarity of Physical Stores and Digital Channels

A recurring theme throughout the interviews is the interplay between physical and digital channels. Physical stores and digital channels work in synergy, each contributing distinct yet interconnected benefits to create a cohesive brand experience. Digital channels are integral for non-luxury brands in expanding market accessibility, optimizing inventory management, rapidly adopting trends, and implementing dynamic pricing strategies, which together strengthen brand reach and responsiveness. On the other hand, physical stores are essential for building brand credibility and providing sensory, hands-on experiences that strengthen consumer connections. The complementary nature of these channels is also evident at Company Y, where multi-channel shoppers are among the highest spenders (Interview Terry

von Bibra). For non-luxury brands, this interplay between physical and digital channels enables a flexible, consumer-centered experience that drives brand equity by catering to diverse consumer behaviors and expectations. Similarly, Didi Axt mentions that physical stores are important as fashion is an industry where one “live(s) and breathe(s) clothes, which means touching, feeling, fabrics, etc. That’s why stationary will always be the most important, underlined by digital, because I can act at short notice”. This underscores the complementarity of physical and digital channels: physical stores offer sensory engagement reinforcing brand credibility, while digital platforms provide speed and reach. As Michael Pinkhasov stated “if the website is convenience, the store is credibility”.

4.4. Future Balance Between Physical Stores and Digital Channels

Digital channels are expected to continue expanding their role in customer engagement, particularly as data-driven insights enable brands to refine their strategies based on consumer behavior and preferences. Terry von Bibra from Company Y commented on this digital shift, highlighting the brand’s decision to concentrate on digital platforms in certain regions for cost efficiency and expanded reach: “Outside the UK, [online] is practically the only channel”. C&A also anticipates a stronger focus on online channels as market dynamics shift, with Utkarsh Singh mentioning that while physical stores remain vital, “the size of the store will decrease, but I’m not sure about the number (of stores)” as companies streamline in-store footprints while strengthening online capabilities. In contrast, Didi Axt argued that there will not be a greater reliance on digital platforms in the future, considering it “not economically feasible.”

A significant challenge is the high return rates, which exceed 50% and pose substantial difficulties even for well-established brands, particularly with lower-priced fashion items. “If I ship a €19 t-shirt with a 60% return rate, I might as well burn it – it’s not viable”, he noted, emphasizing that even brands with stronger price points struggle to make digital channels

profitable (Interview Didi Axt). The dependence on free shipping and returns in price-sensitive segments exacerbates the strain, such as those of C&A and H&M. As Didi Axt explains, “pure online strategies haven’t worked”. He thus believes in the importance of integrating digital strategies with other approaches, such as “Click & Collect” or curated in-store experiences, to balance profitability with consumer expectations. In addition, he predicts a resurgence of multi-brand stores, which he believes will “practically take over the pre-curation for the customer” (Interview Didi Axt). Christine Keller echoed the shift toward experience-focused retail, noting that physical stores are likely to become spaces that reinforce brand identity while offering curated, engaging experiences. She remarked, “that’s what fashion luxury companies are doing. When you go in, you feel like you’re in a place that’s pushing boundaries and whether that’s with just clothes, (...), having the whole outfit being suggested to you or stores becoming more experience-based rather than just putting products in a line on the racks” (Interview Christine Keller). The evolving interplay between physical and digital channels seeks to foster a symbiotic, consumer-centric approach to building brand equity, with each channel fulfilling a distinct role within a cohesive and integrated strategy.

5. Discussion

This research examines how physical stores, and digital channels influence brand equity and image in luxury and non-luxury fashion. The findings, supported by literature, reveal distinct yet complementary strategies for leveraging these channels, with each industry employing physical and digital platforms in ways that align with their unique brand values and consumer expectations. This section discusses these findings, considering the literature review and comparing theoretical insights with practical perspectives provided by industry experts.

5.1. The Impact of Physical Stores on Brand Equity and Image

Luxury and non-luxury brands utilize physical stores differently, reflecting their distinct brand strategies and consumer expectations. For luxury brands, physical stores serve as immersive spaces that go beyond mere retail, embodying exclusivity, craftsmanship, and artistry (Donzé, 2021; Lei, 2024). Donzé (2021) and Lei (2024) describe these stores as extensions of a brand's identity, heritage, and status, carefully curated to enhance brand image through exceptional design and storytelling. Flagship stores, strategically situated in prestigious locations, serve as iconic symbols of a brand's legacy, offering extraordinary experiences that bring its story to life (Kauppinen-Räsänen et al., 2020). For instance, a Chanel store goes beyond mere shopping, immersing visitors in a rich history that leaves a lasting impression (Interview Claudia Schipper). These flagship stores not only draw consumers but also underscore the craftsmanship and exclusivity that are the cornerstones of luxury. By contrast, non-luxury brands use physical stores to bridge gaps left by online shopping, focusing on building trust and providing tangible experiences (Gao & Su, 2016). Experts like Didi Axt and Utkarsh Singh emphasize that for non-luxury consumers, physical stores are vital for ensuring size and fit accuracy, enhancing trust and loyalty in competitive, price-sensitive markets. Unlike luxury stores, which focus on emotional engagement, non-luxury stores prioritize accessibility and functionality (Seifert et al., 2019).

The sensory and emotional aspects of physical stores also differ significantly between luxury and non-luxury brands. Luxury stores create multisensory environments that engage visual, tactile, and olfactory senses to foster emotional connections. Shahid et al. (2022) noted how elements such as signature scents, curated lighting, and design excellence reinforce exclusivity, with brands like Louis Vuitton using their signature scent to strengthen brand identity and recognition. Claudia Schipper and Felipa Monteiro emphasize the role of such environments in creating emotional ties and fostering tradition. These multisensory experiences build strong brand equity, offering emotional and physical interactions that digital platforms cannot replicate (Nobbs et al., 2012); (Sabbadin & Aiolfi, 2019). Erich B. described the in-store experience as “magic”, where customers connect with the brand through physical textures and luxurious ambiance.

In non-luxury stores, sensory engagement focuses on trust and practicality. Touching fabrics and trying on clothing build credibility and authenticity, as noted by Zhang et al. (2024) and industry professionals. Non-luxury stores also frequently update displays and assortments to enhance immediacy and trend responsiveness (Ahmad, 2024; Barnes & Lea-Greenwood, 2010). Christine Keller highlights H&M’s dynamic updates to reflect the latest trends, while Zara fosters discovery and urgency through frequent display changes (Interview Didi Axt). Unlike luxury stores, which immerse customers in exclusivity, non-luxury stores prioritize immediacy and functionality to drive repeat visits.

Personalized service further sets luxury and non-luxury brands apart in their use of physical stores. Luxury brands elevate the in-store experience through tailored guidance by highly trained sales associates, ensuring customers feel valued and unique. Mr. T. highlighted Louis Vuitton’s investment in destination stores that integrate elements such as cafés, exhibitions, and digital installations, creating cultural and interactive spaces that deepen customer engagement. This aligns with Michael Pinkhasov, who describe flagship stores as sites of

emotional and cultural immersion, blending fashion with art to enhance brand equity. In contrast, as noted by industry expert Terry von Bibra, non-luxury brands focus on efficient customer service that facilitates practical needs like trying, returning, and exchanging items. He also pointed out that smaller non-luxury stores cater to fast fashion consumers' preference for convenience, prioritizing speed and accessibility over immersive experiences. On the other hand, non-luxury flagship stores enhance brand image through engaging visual merchandising and current collections. This highlights that while luxury stores carefully control their environments to maintain exclusivity, non-luxury stores balance brand elevation with everyday functionality.

The relationship between physical and digital channels also highlights key differences between luxury and non-luxury strategies. Luxury brands strategically limit their online assortments to drive traffic to physical stores, preserving exclusivity (Elle UK, 2012). For example, Chanel avoids selling its signature bags and apparel online, ensuring that these iconic products can only be purchased in-store, as noted by Claudia Schipper. In contrast, non-luxury brands prioritize seamless omnichannel access, ensuring in-store products are available online, as Christine Keller emphasized. This aligns with literature on the importance of cohesive omnichannel interactions to enhance customer experience (Manneh, 2017; Rey-García et al., 2018). Keller further noted that regional assortments are tailored to local preferences, offering a new perspective not widely addressed in the literature, illustrating how brands adapt to diverse market needs.

5.2. The Impact of Digital Channels on Brand Equity and Image

Luxury brands use digital channels to enhance visibility and desirability, carefully maintaining exclusivity. Their digital presence is carefully curated, as highlighted by Mr. T., who described the website as the brand's "biggest window" globally, balancing reach with aspirational imagery. This approach resonates with Donzé (2021) and Lei (2024), who

emphasize that luxury brands cultivate desirability by blending expansive digital engagement with exclusive access. Shermann (2021) supports this perspective by revealing that online interactions influence 75% of offline sales, while 22% of luxury purchases now take place online. This underscores the necessity for luxury brands to invest in their digital presence to shape consumer perception while maintaining the sophistication of physical stores through curated, immersive online experiences. Michael Pinkhasov echoes these theoretical perspectives, noting that online channels for luxury brands primarily serve to enhance visibility and desirability among a broad audience, while true accessibility remains limited to a select few.

By contrast, non-luxury brands embrace digital platforms to maximize accessibility through operational cost reductions and exclusive promotions (Ertemel, 2015). Non-luxury brands prioritize affordability and global reach, supported by digital tools that streamline operations (Cao, 2018; Manneh, 2017). This is echoed by Terry von Bibra who stated that Company Y has embraced digital platforms as the primary sales channel in non-core markets where physical stores have closed due to financial reasons, highlighting how digital channels help brands expand their reach while minimizing operational costs (Cao, 2018).

Exclusivity is pivotal for luxury brands, achieved through premium website designs, subtle marketing techniques, limited-edition online drops, and invitation-only events (Huang & Kim, 2020). Luxury brands amplify storytelling through short films and virtual showrooms, creating deeper emotional connections with consumers while showcasing their artistry (Diaz Soloaga et al., 2023). Dior, as noted by Felipa Monteiro, avoids aggressive digital sales tactics, preserving its exclusivity and luxurious aura through subtle marketing efforts. Similarly, Louis Vuitton's digital strategy highlights heritage and artistry over direct product availability enhancing the feeling of being part of an exclusive group (Interview Mr. T.).

On the other hand, non-luxury brands adopt a different approach to exclusivity by offering

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exclusive online-only collections or timed promotions, creating a sense of urgency while remaining inclusive (Cao, 2018; Cheema, 2021; Ertemel, 2015). Christine Keller shared that H&M uses its digital platforms to launch excitement-driven seasonal collections, such as sparkly holiday collections, appealing to trend-conscious consumers while maintaining affordability, reinforcing their image as trendy and affordable.

The online customer experience also varies significantly between luxury and non-luxury brands, reflecting their unique priorities and approaches. Luxury brands strive to replicate the sophistication of physical stores by integrating immersive storytelling into their digital platforms. Chanel and Louis Vuitton, for instance, enhance the digital experience by weaving in elements of their heritage and craftsmanship, supported by Diaz Soloaga et al. (2023). These elements not only showcase the artistry of these brands but also create deeper emotional connections with consumers, enhancing the overall online interaction.

In contrast, non-luxury brands focus on convenience, accessibility and responsiveness to meet customer demands. Utkarsh Singh noted how C&A's digital platforms overcome inventory limitations in physical stores, enabling customers to explore a broader range of options. This aligns with Cao's emphasis on the importance of extensive digital options to support non-luxury brands' efforts to maintain affordability and variety, while improving customer satisfaction (Cao, 2018). This accessibility reflects the importance non-luxury brands place on delivering practical and affordable solutions for their customers (Bhardwaj & Fairhurst, 2010; Ertemel, 2015; Rey-García et al., 2018). Additionally, non-luxury brands often rely on influencer collaborations to communicate their brand identity. Christine Keller observed that H&M's partnerships with influencers help position the brand as trendy and accessible, resonating with its target audience and reinforcing its fashion-forward image (Cheema, 2021). Both industries face different challenges in digital environments. Luxury brands must ensure their digital presence conveys the same sophistication and authenticity as their physical stores.

Felipa Monteiro highlighted that achieving this requires subtle and refined strategies, which play a critical role in maintaining the brand's luxurious image. Non-luxury brands face challenges in maintaining trust and authenticity, as they often lack the tangible experiences provided by physical stores (Septianto et al., 2022). Catrin Scheer observed that credibility is particularly critical in an industry where physical interaction with products significantly influences consumer buying behavior. Brands must therefore work hard to establish trust through their digital presence. They rely on transparency, data-driven insights, and consistent messaging (Ertemel, 2015). Despite these challenges, digital platforms remain a powerful tool for building brand desirability.

5.3. Complementarity and Integration of Physical Stores and Digital Channels

Both luxury and non-luxury fashion brands rely on integrating physical and digital channels, but their strategies and goals highlight distinct contrasts while also revealing shared challenges. In luxury fashion, the integration of these channels is essential for delivering a consistent and cohesive brand experience, a hallmark of successful luxury strategies (Karadag & Erdogmus, 2020). D'Arpizio et al. (2021) argue that luxury brands increasingly adopt omnichannel strategies that seamlessly integrate online and offline experiences to create a unified brand image. This aligns with Karadag & Erdogmus (2020), who observed that modern consumers demand flexibility and personalization, blending the convenience of digital platforms with the sensory synergy. The interviewees explained that digital channels serve as touchpoints to inspire and inform, while physical stores offer tactile, personalized experiences critical to sustain brand exclusivity and equity (Interview Michael Pinkhasov; Interview Mr. T). This reflects the "unified customer journey" described by Jocevski (2020), where online interactions inspire and inform consumers, while in-store visits offer the full sensory and personalized service that reinforces luxury brand equity.

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In non-luxury fashion, the integration of physical and digital channels also ensures brand success. Digital platforms enhance convenience and accessibility by offering 24/7 access to products, enabling customers to browse or shop anytime, as noted by Manneh (2017) and validated by Terry von Bibra's insights. According to him, a company's online channel complements physical, ensuring constant availability, catering to customers who value convenience, quick browsing, and immediate purchasing options. However, physical stores in the non-luxury industry remain essential for providing credibility and trust through sensory experiences. Zhang et al. (2024) and professionals like Didi Axt and Michael Pinkhasov emphasize that the ability to touch and feel fabrics builds credibility and trust, reinforcing the importance of in-store shopping, critical for creating a credible and trustworthy brand image. This integration of the two channels allow non-luxury brands to strengthen brand equity by ensuring consumers experience a cohesive brand image across all platforms, blending digital convenience with the reassurance offered by in-store shopping (Manneh, 2017; Rey-García et al., 2018).

Luxury brands prioritize ensuring consistent luxury imagery across platforms, using physical and digital channels to enhance storytelling, emotional connections central to luxury branding and its brand equity (Batat, 2019). Brands like Dior, Chanel, and Givenchy excel at integrating their consistent omnichannel strategies to uphold their image, prestige and relevance, fostering brand loyalty, as noted by Amatulli et al. (2021) and reinforced by insights from industry professionals. Digital platforms inspire and engage luxury consumers by showcasing heritage and exclusivity (Diaz Soloaga et al., 2023), supported by Mr. T.'s insights on Louis Vuitton's digital storytelling. Complementing this, physical stores deliver immersive experiences through craftsmanship and emotional connections, as noted by Claudia Schipper and Erich B. (Kauppinen-Räsänen et al., 2020; Sabbadin & Aiolfi, 2019). This balance ensures that luxury

brands maintain their prestige while expanding their reach in a connected retail landscape (Jocovski, 2020).

In contrast, non-luxury brands focus more on operational efficiency and customer convenience. In line with literature from Manneh (2017), Christine Keller emphasized the importance of aligning in-store and online inventories to maintain consistency across channels. Additionally, non-luxury brands implement strategies such as “Click & Collect” to merge the speed and convenience of online shopping with the tactile engagement of physical stores, as highlighted by Didi Axt and Gao & Su (2016). Unlike luxury brands, which use digital channels to enhance visibility, non-luxury brands leverage these platforms to maximize accessibility and drive volume sales. However, experts like Axt caution that online-only strategies in the non-luxury industry often fall short, as they fail to address the sensory engagement and reassurance provided by in-store experiences.

Challenges in channel integration also differ significantly. Luxury brands face the task of preserving exclusivity and crafting a unified customer journey across platforms (Interview Mr. T.), ensuring that each interaction reinforces brand equity. For non-luxury brands, the integration process is often hindered by operational barriers (Epifano, 2023). As Didi Axt noted, separate management structures for digital and physical channels frequently undermine cohesion, creating fragmented customer experiences. Additionally, high return rates, which often exceed 50% in non-luxury fashion, further strain profitability – especially for low-priced products. These returns are often linked to uncertainties in fit and fragmented return processes, a challenge highlighted in the literature and the interviews (EEA, 2024; Stöcker et al., 2021).

6. Conclusion

In answering the research question, it is evident that physical stores and digital channels influence brand equity and brand image differently for luxury and non-luxury brands. For luxury brands, physical stores are essential in delivering a high-end, exclusive experience that

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fosters emotional connections and reinforces the brand's aura of exclusivity, thereby enhancing brand equity. The detail-oriented designed environments and personalized services shape a distinctive brand image that appeals to consumers' desires for prestige. Digital channels, while important for expanding reach, are primarily used to cultivate aspiration and awareness without compromising exclusivity. A careful management of the online presence ensures the preservation of a prestigious brand image while safeguarding brand equity. In contrast, non-luxury brands leverage digital channels more heavily to enhance accessibility, affordability, and convenience, positively affecting their brand equity by increasing customer reach and engagement. Their brand image centers on practicality and value for money, which digital platforms promote effectively. For non-luxury brands, physical stores serve a more functional purpose while offering tangible experiences that foster trust and credibility, and thereby enrich both, brand equity and image.

A notable distinction emerges in how luxury and non-luxury brands approach their store formats. Luxury brands design each store as an exclusive experience that deepens customer loyalty and willingness to pay high prices. Exceptional customer service, sensory engagement, and personalized attention enhance brand equity and solidify the prestigious brand image, encouraging repeat visits. In contrast, non-luxury brands view physical stores as adaptable spaces, prioritizing convenience and affordability to meet customer needs, supporting their brand image as accessible and value oriented. This approach supports the fast-paced nature of fast fashion industry while maintaining credibility and strengthening brand equity through customer satisfaction and retention. Without physical stores, fast-fashion brands might lack the credibility customers expect, potentially weakening their brand equity.

In conclusion, both luxury and non-luxury brands gain considerable value from a balanced, integrated approach where physical stores and digital channels work together to reinforce brand equity and cultivate a cohesive brand image. Understanding the distinct roles of each

channel empowers brands to develop strategies that align authentically with their core mission and values. It strengthens brand equity by fostering deeper customer relationships and driving greater loyalty. To succeed amidst evolving consumer expectations and a shifting retail landscape, brands must refine their omnichannel strategies to strengthen brand equity, uphold a positive image, and reinforce their unique identity. This dynamic alignment of digital and physical channels reflects a forward-thinking approach, positioning brands to thrive while staying grounded in their authentic values – hallmarks of strong brand equity and image.

6.1. Implications for Brand Strategy and Managers

For luxury brands, maintaining a strong emphasis on in-store experiences is crucial to reinforcing exclusivity, emotional connections, and brand equity. Expert interviews highlight the importance of using physical stores as curated spaces that deliver sensory engagement and personalized attention, while digital platforms complement this by fostering aspiration and visibility. Strategies such as Chanel's limitation of online sales and the use of innovative in-store designs demonstrate how physical experiences enhance a luxury brand's image.

In contrast, non-luxury brands should prioritize leveraging digital channels to improve accessibility, agility, and affordability, key pillars of their brand identity. For non-luxury brands, physical stores play a pivotal role in building trust and credibility. By maintaining a strong physical presence alongside robust digital platforms, non-luxury brands can strengthen customer trust, enhance convenience, and their brand image, ensuring a competitive edge in the market. Thus, an integrated omnichannel strategy is essential for enhancing brand equity both luxury and non-luxury brands. Luxury brands should focus on physical stores to provide immersive, exclusive experiences while leveraging digital platforms to inspire and engage aspirational audiences. Conversely, non-luxury brands should emphasize digital convenience and efficiency, using physical stores not only for practical functions like returns and exchanges but also to foster trust, enhance in-person engagement, and strengthen brand equity.

To effectively implement multi-channel strategies, managers must align their approaches with target market characteristics. In the luxury industry, this involves enhancing sensory engagement through store designs, pop-up events, and collaborations, and reinforcing brand aspiration through storytelling and virtual showrooms with limited online availability to drive exclusivity. Non-luxury brands should harness digital platforms to broaden their market reach, respond swiftly to emerging trends, and adopt dynamic pricing strategies, all while maintaining accessible physical stores that reinforce credibility and validate their products.

Operationally, luxury brands must invest in staff training and logistics to preserve in-store excellence. Non-luxury brands benefit from analytics and efficient returns management to handle rapid inventory shifts and higher return rates. Both industries can elevate engagement and strengthen brand equity through innovation, with luxury brands focusing on immersive pop-up events and personalized services, and non-luxury brands connecting with younger audiences through social commerce, influencer partnerships, and mobile apps. Integrating these measures fosters a consumer-centric approach leveraging physical and digital channels, enabling managers to enhance experiences, optimize resources, and drive sustainable growth.

6.2. Limitations

This study has several limitations. The sample of thirteen expert interviews may not fully represent broader perspectives, affecting generalizability and potential biases influenced by participants' roles and affiliations. The geographic focus on Central Europe further restricts the applicability of findings to other regions. Moreover, the study concentrates on specific segments, such as fast fashion and Haute and Demi Couture, while excluding others that might offer additional insights. Importantly, the research is limited to mono-brands, leaving out potential nuances that could emerge from analyzing multi-brand or broader retail contexts.

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Appendix

Appendix 1: Interviewee Sampling Information

Luxury / Non-Luxury	Company	Name	Position	Department	Translated from German to English
Luxury	Boston Consulting Group (BCG)	Luisa Hütwohl	Associate	Fashion & Luxury	X
Luxury	Chanel	Claudia Schipper	Store Manager	Sales & Retail	X
Luxury	Company X	Erich B.	Vice President	–	
Luxury	Dior	Felipa Monteiro	Head of E-Commerce, Digital Marketing & CRM	Digital Marketing	
Luxury	Givenchy	Svenja Baum	Senior Communication Manager	Print & Communication	X
Luxury	Louis Vuitton	Mr. T.	Vice President	–	

Luxury	Nova SBE	Michael Pinkhasov (1)	Assistant Professor	Marketing	
Non-Luxury	C&A	Utkarsh Singh	Manager	Media strategy and planning	
Non-Luxury	Company Y	Terry von Bibra	Board member	–	X
Non-Luxury	Esprit/ Tom Tailor/ Marc O’Polo	Catrin Scheer	Product manager	Marketing/ Product development	X
Non-Luxury	H&M	Christine Keller	Business controller	Assortment	
Non-Luxury	Nova SBE	Michael Pinkhasov	Assistant Professor	Marketing	
Non-Luxury	Non-Luxury Industry Expert	Didi Axt	Board member in various non-luxury fashion companies & Advisor Role for Roland Berger		X

Appendix 2: Interview Transcript – Utkarsh Singh (October 18, 2024)

Introduction and Background:

Laura Seegers: Could you introduce yourself and your role within the company?

Utkarsh Singh: Yeah. So my name is Utkarsh Singh and I'm manager in media strategy and planning looking after the whole media investment in over 70 markets. It's all the European markets where we operate.

Laura Seegers: How long have you been involved in the non-luxury fashion industry?

Utkarsh Singh: Two years.

Laura Seegers: What is your brand's core mission?

Utkarsh Singh: It's we inspire you every day to look, feel and do good.

Laura Seegers: How do physical stores contribute to it?

Utkarsh Singh: I think it's related in the sense that when you go to a store, and you feel like the impact of the brand. It's not only about clothes but how you feel when you step into the store, the customer service that you receive from the people, but also how the collection is presented and if it is easy to access in terms of what you are looking for. That's I think the main thing. So I think it's very important and contributes to the brand image.

Laura Seegers: How do digital channels contribute to it?

Utkarsh Singh: I would say it's similar. The variable is a bit different because on the website you don't have much interaction and you don't really completely experience the brand. But you do have like other parameters, like how the website is designed and if it is user friendly. These kinds of aspects really help in, you know, make ease in terms of transaction. Also, the advertorial piece we do to inspire customer to buy something. That is quite important. Sometimes there is not much alignment between what we're trying to show in store and what we're trying to do online, which creates not a 360 brand what we want to achieve. You know, similar across the platform. Sometimes the promotions on our web shop (EU shop) are

centralized and the same across Germany. When you look at our stores, we have different sizes and are in different parts of the country and there they have the flexibility to change according to the local needs. For example, what sells well in one area may need to be adjusted as the taste of the people differs. Because of the limited store size, you have to prioritize what you want to put in stock. So those kinds of things change. But when you think at the overall level, when you go to a website, it's for a whole country and what you try to promote there or to inspire people might be different.

Brand Equity and Image:

Laura Seegers: What factors do you think most contribute to building your brand's equity and image?

Utkarsh Singh: It's mostly about the functional aspect because we are a non-luxury brand. It's about, how is the price perception for the customer? How is the quality perception? We do have some emotional component, like customers feeling emotionally close to our brand. And, what is the style perception? And is the fit right for me? Do we offer my style of cloth? That can be very subjective. Since we are brand for many, selling for women, men, and kids, we need to have a wide assortment. That's really important for us.

Laura Seegers: How do affordability and accessibility impact your brand's positioning in the market?

Utkarsh Singh: I think affordability is really important for us. More than affordability, it's about value for money. If we go down the route of trying to sell the cheapest clothes, we have competitors like Shein and Primark who can beat us. There is also a level of quality that is needed. So, it's not just affordability but the value for money that is most important. Accessibility is also important, because without store presence, people aren't aware of us and won't buy. That's the thing.

Laura Seegers: Do physical stores or digital platforms play a more significant role in shaping your brand's identity?

Utkarsh Singh: I would say the physical store is more important, especially in the fashion business, because many people still want to try their clothes before making a decision. I find that people have less time, so it's becoming more about finding the style they like. We have seen customers browse the digital platform, identify clothes they are interested in, and then try them in the store before buying. Sometimes, the process happens the other way around as well.

Physical Stores vs. Digital Channels:

Laura Seegers: How important are physical stores to your overall business strategy?

Utkarsh Singh: They are very important, but also cost intensive, right? So, there might be cases where we try to get online presence first if we are entering a new market, see the response and then make stores there.

Laura Seegers: What role do digital channels play in expanding your brand's reach and improving customer accessibility?

Utkarsh Singh: If you are going for a new market, that's one thing. But with digital, you can have a lot more in stock compared to a small store. We also try to promote this in physical stores by encouraging customers to visit our online store if they need more colors or sizes.

Laura Seegers: Do you think your brand's physical stores and digital channels complement each other in delivering a unified experience?

Utkarsh Singh: Yes, of course.

Laura Seegers: And why/ how?

Utkarsh Singh: It do complement. It's also a matter of discount because sometimes the discounts are higher online. So, in that sense, people prefer to buy online sometimes.

Laura Seegers: Do you think digital channels can replace physical stores completely?

Utkarsh Singh: Some brands, like Shein, are doing this and have seen massive growth. I think C&A is different because we are a brand for many, with categories for everyone. We are a family shopping destination, and that's an experience you share with family. I believe that size and fit are still aspects you need to check in person, especially with C&A, as it varies between different collections. With other brands, you might know your size and trust it will fit well, so online shopping works. But with C&A, it can differ a lot.

Impact on Brand Equity:

Laura Seegers: How do you measure the impact of physical stores on your brand's equity?

Utkarsh Singh: We have a brand image tracker and conduct surveys across Europe. We also have exit surveys for people who leave the store without buying anything to understand their reasons. This is more on the operational side than the branding side, but the brand image tracker focuses primarily on the branding side.

Laura Seegers: How do you measure the impact of digital stores on your brand's equity?

Utkarsh Singh: We use the same brand image tracker for our online shop, with questions like how good the brand is and whether customers are aware of it, as well as functional aspects. Apart from that, we also conduct surveys on the website and have scores for different features, such as how users find the checkout page or specific sections like men's or denim pages. These are conducted randomly to get a sense of how we are performing.

Laura Seegers: Do you find it easier to build brand equity through physical store experiences or through online platforms?

Utkarsh Singh: I think it's easier to build a brand equity through digital channels. Because planning can go really wrong if you try to promote something, but you don't have the same customer experience in-store. If they find what we try to promote in our advertisement is not exactly the same experience. If its online since it's a website, the experience can be a little bit manipulated in a way to look fancy.

Laura Seegers: How do you ensure that your brand maintains its characteristics/ qualities/ image when transitioning to digital platforms?

Utkarsh Singh: I think we can do it via product only and of course the brand identity and logo and whatnot, but brand is much more than that. I think we are lagging at the moment.

Laura Seegers: How do you see the role of physical stores evolving in the non-luxury fashion sector over the next few years?

Utkarsh Singh: I think it will be very limited. Everybody is going into this standardized model, and all the big store companies have reduced the store sizes, which say something. The size of the store will decrease, but I'm not sure about the number – maybe we will have more stores, but not at one place. It all depends on how quickly we can catch up onto the online power. Most companies are trying to be more online, and that's our goal as well. But it's a difficult goal to get to because of the competition from pure players like Zalando and Amazon.

Laura Seegers: And you said that the big companies all reduce the store sizes? Did C&A also do that?

Utkarsh Singh: Yes, we do that, and I see the trend everywhere. However, there are places where we want to maintain our presence, like Alexanderplatz in Berlin, which is a very popular location. There we don't want to reduce the store size. It also depends on profitability. There are some profitable stores, but mostly the big stores tend to perform worse compared to medium and small size.

Future Trends:

Laura Seegers: Do you believe non-luxury brands will rely more heavily on digital platforms in the future, or will physical stores remain a vital component?

Utkarsh Singh: It might be my personal opinion, but to buy clothes, you need to try them on – unless we develop virtual tools like glasses that can accurately show fit in the future. For non-luxury brands, online shopping is growing, especially with brands like Shein gaining

market share due to discounts and a fully online presence. It depends on the objective; for fast fashion brands, online growth will continue and could partly replace physical stores, but not entirely. For brands like Uniqlo, where clothes last longer and the selling frequency is lower, physical stores might still be essential for trying items. However, if the purchase frequency is low, profitability becomes a concern. So then is it sustainable? So, it's very subjective.

Concluding Questions:

Laura Seegers: What do you believe is the most important aspect of managing brand equity in today's non luxury fashion market?

Utkarsh Singh: It's value for money. It's also about the fit for the people. I don't mean like clothes, rather the fit of personality you have. Do we offer the clothes or not?

Laura Seegers: How do you plan to further enhance your brand's image and maintain its non-luxury status in physical spaces?

Utkarsh Singh: Our value proposition should be visible to people – whatever we are trying to achieve. Sustainability is one of the things we try to differentiate ourselves from H&M and Zara in fast fashion that should be visible in the store. For example, you can't give plastic bag, you have to give paper bags. Small things like this. And we are trying to be more digital.

Laura Seegers: How do you plan to further enhance your brand's image and maintain its non-luxury status in digital spaces?

Utkarsh Singh: Enhance the brand in both physical and digital. I think our product speaks for ourselves, right? Product is the main part of the brand. It's not about advertising, it's about how you feel when you wear C&A. That's the core of the business, and as long as we enhance that and meet customer needs, people will come back. And you can become a favorite brand. Doesn't matter, physical or online.

Appendix 3: Interview Transcript – Terry von Bibra (October 18, 2024)

Introduction and Background:

Laura Seegers: Could you introduce yourself and your role within the company?

Terry von Bibra: I have had many different roles and [company name] is only one of them that would be relevant for the interview, so I'll keep it short. So, in my work at Amazon I was responsible for online marketing and business development, so there was this work and how to build the marketplace. At Yahoo also for marketplace, but an advertising marketplace. Also, with a lot of advertising for brands of course or mainly for brands at Karstadt. I was responsible for omnichannel and marketing. And of course, clothing was an important part of that. At Alibaba, I was responsible for the entire European business for many different business units, but also marketplaces for all kinds of products and, ultimately, mainly convincing European brands to work in China on the Alibaba Eco Systems. Means a lot of work in exchange and talking to brands how do you protect your brand online; how do you protect your brand in China? How do you promote your brand? The right target group in China in this case. At [company name], I'm not on the main board of [company name] as a whole, but I'm on the German board. In practice, because of Brexit, I have to make a separate unit to be able to sell in Germany or Europe, for example on Zalando. And that's where my work is the German managing director.

Laura Seegers: How long have you been involved in the non-luxury fashion industry?

Terry von Bibra: I would say from Karstadt onwards, that would be true since 2013.

Laura Seegers: What is your brand's core mission?

Terry von Bibra: At [company name], the mission is ultimately to provide the right clothing in the affordable range for the target group – a younger target group – in the countries, to make it attractive and easy to find, whether it's online or in-store. The offline stores of course play a very big role because historically it comes from a pure offline business, but the online business is now a very important part of the overall company.

Laura Seegers: How do physical stores contribute to it?

Terry von Bibra: So at [company name], as with most companies that ultimately trade omnichannel fully embraced, all channels play a combined role with the others. In other words, a distinction is also made in the stores: there are so-called flagship stores, which are larger, more is invested in them and it's not just about selling, but also about presenting the brand in the best possible way. As far as the physical store is concerned, smaller stores where this plays a smaller role are of course very attractive for customers, not only to be able to try on the goods, but also to be able to return and exchange clothes directly in the stores. The "convenience factor" plays a role for stores in that the stores are positioned where customers are more likely to be on the move and if you are in the right "frame of mind" and many other aspects.

Laura Seegers: How do digital channels contribute to it?

Terry von Bibra: So, the online business plays a different role in the UK and in the core market than elsewhere, where we no longer have stores. [company name] used to have stores in Germany, France, Poland, China, various markets. Now the stores are actually exclusively in the UK. So, the online channel in the UK plays the role of a brilliant opportunity to the offline stores, but also an opportunity to make it accessible practically 24 hours a day for customers or customers who also prefer to browse quickly on their cell phone, without waiting for the next store. Practically, they might want to come to the store the next day or in the few days, but then immediately look at something, test, discover or even buy directly. While outside the UK it is practically the only channel. Then it has to try to cover all roles, of course it can't do it in the same way as in the UK. But that's the need to work with other online players like Zalando, for example, where the reach is considerably greater than [company name]'s own online channel. A reach in Germany, for example, is certainly very, very small and it doesn't make sense to invest there to build up [company name] Germany online instead

it is much more effective to then practically take this reach via a partner like a Zalando or Asos.

Laura Seegers: Why was it decided to no longer have any business in Germany, i.e. physical business?

Terry von Bibra: That was before my time, but I think it was purely a financial thing when the company had possibly overextended itself, so to speak. To say OK, we have to make a clear cut in terms of costs. It's very hard to do a clear cut with physical stores to say OK, we're closing a third. It's very hard to try to reduce the physical footprint on brands, but at some point, it's just not enough. You're below a critical mass, so [company name] decided, okay, we're closing completely in Europe. And at that moment, the decision was practically a complete pull-out, online as well. And then only later to say okay, but now we can continue to serve these markets online.

Brand Equity and Image:

Laura Seegers: What factors do you think most contribute to building your brand's equity and image?

Terry von Bibra: All factors contribute to this; you simply start with the legacy perception. Our customers have practically discovered [company name]. For the first time it's only recently they've known it for 5 years, they've gotten to know it from their older sister or friends years ago or it's just through advertising. How is the first encounter with the brand decide and the next step we will say OK? How does the brand manage to remain relevant to customers in the long term? That's an issue when we say a customer comes to us and buys something once, where they say I like the price, it's not as cheap as some fast fashion but it's not as expensive as a premium brand. They discover and then go straight on and have no connection to the brand. But of course it's important for us to see how we can do it, that customers practically say, I can cover part of my fashion needs very well, very effectively,

very nicely at a good price, but also with fun at [company name]. And, as I said, this is possible through the physical store experience through the online presence through online advertising through social media and actually all channels combined in the end.

Laura Seegers: How do affordability and accessibility impact your brand's positioning in the market?

Terry von Bibra: Price always plays an important role here in retail and omnichannel retail anyway. Ultimately, there are 4 pillars that make up omnichannel. These are selection, convenience, price and experience. Price is always a thing in the non-luxury sector, but it usually goes in that direction: How affordable is the price in the luxury sector? It's different. It is even necessary that the price is high for the perception. At [company name], this idea that we are affordable fashion is important. We don't want to be as cheap as a Shein or a Primark but also not as expensive as a Reformation and to say how is that positioning to be taken? And that's a practical constant struggle to say how much can you work with the price without affecting the demand? It's always a balancing act. What is a price for you, for our customers where their perception of quality is high, but the decision to buy is not too strongly inhibited. And also, how often you work with discounts. With apparel companies, it's an ongoing discussion about how much discount. How early do you start discounting and how much do you discount, and when do you go to the next stage of discounting. It's a constant debate within all these types of companies. If you discount too much, not only does the margin suffer, but the perception of the brand suffers. On the other hand, when clothes are left over and the season is over, the margin is practically over anyway and then of course it's a question of what do we do with the clothes? So, it's a constant battle between margin and quality perception.

Laura Seegers: Do physical stores or digital platforms play a more significant role in shaping your brand's identity?

Terry von Bibra: Absolutely, but both channels. I wouldn't differentiate because ultimately

it's about how do I practically offer my customers the optimal shopping experience? That's how I can best influence the brand perception and therefore every touchpoint: offline, online, e-commerce online versus marketing online versus social media online versus PR, which is neither offline nor online necessarily. Each touchpoint influences how the brand is perceived and how that perception changes over time.

Impact on Brand Equity:

Laura Seegers: How do you measure the impact of physical stores on your brand's equity?

Terry von Bibra: Brands simply look at the sales contribution, of course. So, what is the turnover, what are the costs? The cost structure between the physical store and online are radically different. Fixed costs play the most important role in the physical store. I have a store, I have rent, I have employees who have a fixed salary, I have electricity costs. They don't change whether I sell one dress or 1,000 dresses. It doesn't play a role in the cost structure. In other words, everything I sell until I have covered my costs is necessary and every single item after that ultimately increases my profit.

It's different online. Every time I sell something online, especially in the apparel area, there are costs, I have fixed costs, but there are costs. Of course, the incredibly high return rates in the apparel area even incur costs without me knowing whether I've actually sold anything. That's fashionable, it can be so high regardless of the country and regardless of the category. Cost structure between the 2 channels are very different starting points which is often a cause of a problem. With fashion brands, most brands either come from an offline background and are optimized in their thinking, their accounting, their measurement system, as they say, trade shows, or they are pure online players who then maybe later took it offline. That origin where a brand comes from and how they approach their business later on, even if they become omnichannel retailers, always plays a further role in the sense of trade fairs, you look at the sales, you look at the costs, you look at the margin, but you also look at how is that channel

performing against plan? Apparel companies like all retailers are obsessed with actuals versus plan. That is, it could be that a channel is doing particularly well, but the plan was higher.

Then objectively it is doing very well, but not against plan, which is then perceived negatively in the company. It could be that another channel is actually not growing well at all, but it is growing exactly as planned because the plan assumed that it would not grow well, then it delivers exactly what was planned. Then people are actually reassured and happy, even though it is actually stagnating. You also have to keep this differentiation in mind.

Laura Seegers: How do you measure the impact of digital stores on your brand's equity?

Terry von Bibra: This is basically the same but has a different way of measuring. With digital, I would differentiate between my own website and when I work with other channels. In many companies, these are sometimes two different teams. Sometimes there is a team that is only responsible for your own online store, other teams that are responsible for online marketing, other teams that are responsible for the presence on other marketplaces and of course other teams that are ultimately responsible for the physical stores. This is of course a source of problems, because ultimately the buying team is the team that decides what clothes to make or what clothes to buy to resell. In the case of [company name], we make everything ourselves, they have to buy for all channels, often without knowing how much of what I buy now is sold offline, how much of it is sold online by us, and how much is sold online by us to third parties.

Laura Seegers: Do you find it easier to build brand equity through physical store experiences or through online platforms?

Terry von Bibra: As I said, I wouldn't say that it's easy with one or the other, but both are indispensable. Every touchpoint is indispensable.

Laura Seegers: And why?

Terry von Bibra: Yes, simply because you must never forget that our customers, like all customers, are not interested in our brand strategy. Nor are they interested in our offline versus

online channel strategy. They are only interested in their own wishes and needs. And therefore, when they meet us and make a judgment, is this brand positive or negative for me? Is the brand becoming more attractive or less attractive to me over time? Do they judge this solely in terms of their expectations, which we do not know exactly? And how well we meet their expectations at every encounter and touchpoint. Therefore, a single channel can never determine this alone. Unless you have a customer, who says I only ever go to the store and never online. Or I only go online. What we have found, like most, is that the customers who can buy from us in both channels are the most valuable customers. They spend more in a year, they bring back less. So, customers who are multi-channel customers are always the world's biggest spenders with us. But that's all the companies I've dealt with so far.

Laura Seegers: H&M offers incentives for online purchases, because certain items are available only online, is it the same with [company name]?

Terry von Bibra: With H&M maybe, that distinction is important just in terms of brand perception. H&M has a strategy I've worked with H&M a lot for China, or I've convinced them to sell online at all in China. H&M has a policy that they don't sell on marketplaces, for example, because their nightmare is that someone comes and says, well, a young lady comes and says I'm going to buy this blouse that I saw on marketplace X from H&M and I'm going to combine it with a skirt from Zara. In this case, they've actually sold a blouse and should be happy, but they're not happy in terms of brand perception because they don't want this mix. So, they say no, we can't prevent someone from coming and buying the blouse from H&M in a store and then going to the Zara store next door or online and buying the store. You can't prevent that, that's OK. But they don't want to make it too easy by having a mixed order in the marketplace. That's an H&M attitude that they have broken for China, because it isn't possible in another way in China. At [company name] we don't look at it that strictly.

Laura Seegers: How do you ensure that your brand maintains its characteristics/ qualities/

image when transitioning to digital platforms?

Terry von Bibra: We convey the image regardless of which channel we work with. That means it doesn't change if we launched an online channel many years ago. To say OK, how do we deal with the brand now? Was it a consideration this differentiation of building the brand, building market equity/market perception via one channel completely to see it differently, as I said, I didn't perceive it that way. That was perhaps a certain concern in the industry at the very beginning in the sense of how do I know where my brand will appear. I know how my brand is received in the store because I design it. I have my employees, I have the lighting, I know where my store is in which part of town, so I have a certain amount of control. This fear of losing this control online was there, but that was a long time ago. Online has become far too commonplace for that.

Future Trends:

Laura Seegers: How do you see the role of physical stores evolving in the non-luxury fashion sector over the next few years?

Terry von Bibra: The physical stores will continue to exist. I have no doubt about that at all. The question is more when I come back to these 4 pillars of omnichannel that I mentioned earlier with selection and experience, how the understanding of each brand is over time. The better we understand our customers and their wants and needs, the better we can orient ourselves to their wishes, for example in terms of convenience. When we see that convenience is more important for our customers, how I find the product online plays an increasingly important role and the ability to find a [company name] store in every shopping mall plays a smaller role. This is the basis that leads to doing fewer stores and investing more online or vice versa, but always as a conclusion of how customers practically rate us, how well we meet their needs. Measured against these 4 pillars, convenience for offline is no different than convenience for online for customers, it's simple.

Concluding Questions:

Laura Seegers: What do you believe is the most important aspect of managing brand equity in today's non-luxury fashion market?

Terry von Bibra: The most important aspect, let's say the biggest challenge in managing brand equity is practical; how can we continue our business success? Practically, the competition between different factors. On the one hand, you want to continue your business, that means growth with profit, on the other hand, I have the very important ESG aspect, how is sustainability doing in fashion, which in itself always costs money, so today we talked about it for a long time. There is a lot of legislation that you have to comply with, but also want to comply with. That costs money. Okay how do I do it? It's now absolutely part of the business at Zalando, for example: If you don't meet certain criteria, you're penalized financially as a brand, so sustainability is not just a wish but it's part of the operational challenge, but also part of the operational table stakes.

All brands want it, it's not the problem that brands don't want it. The problem is how you manage to do that with the pressure on costs. That's the second factor. And the third factor is that it comes down to the competition, like companies as Shein who do fast fashion in a completely different way. In a way that you can't really compete with in terms of cost. But as I said before, customers don't care about that that much. They care about their own wants and needs not our problems with Shein. That means you have to face it. You have a reality that is very challenging, but it makes you realize that customers don't really care that much. How do you deal with that? That is, let's say, these 3 factors that compete with each other, in a way, that is a constant challenge for all fashion brands.

Laura Seegers: How do you plan to further enhance your brand's image and maintain its non-luxury status in physical spaces?

Terry von Bibra: We don't have any stores in Germany. In UK, we are currently doing

something where we are testing, for example, when we invest significantly in certain flagship stores, for example, especially in terms of brand perception. How is that paying off?

In large stores with flagship stores in large cities, i.e. city centers versus small rural areas or small towns, if we invest so and so much there, how is this perceived by customers and how does that pay off in business terms? And that's what most brands do, you have to keep testing, investing, looking to see, okay, that worked very well. Do we want to roll it out across all stores or not?

Laura Seegers: How do you plan to further enhance your brand's image and maintain its non-luxury status in digital spaces?

Terry von Bibra: Of course, you have to constantly invest in new technologies in the digital sector in order to ultimately maintain the performance we offer online compared to these 4 pillars of omnichannel. Let's take delivery times as an example. When I started online a long time ago at Amazon, if the parcel arrived in 3 days, then people were doing quite well. Then there was the time when it came in 2 days and then when it came in one day. Whoever does that sets a standard that everyone else has to follow because customers say I like it, I want it in one day. Again, for an Amazon to deliver in one day is significantly not only easier but cheaper by volume than for a fashion company just starting out. [company name] is somewhere in the middle. But that said the expectations of the companies are the same, but their ability to deliver that quality Same Day Delivery or One Day Delivery are not the same. But that's not interesting for the customer, only their own wishes count here, which means that with online you have to constantly invest in what are the expectations, how well does the search have to work? How well does the check-out have to work? How easy is it to return something? How easy is it to contact Customer Care? How quickly do you respond and solve my problems? How good is the website at suggesting items to me that I didn't explicitly search for, but that they recognized based on my behavior, how did you, how did you recognize that

this kind of this style of clothing in this color, in this cut, in my size, best suits me? So that's actually endlessly the kind of technologies that you can invest in is a constant struggle. Do you have the time? Does our IT team have the time? Do we have the money to keep up with these improvements? Because the table stakes are constantly increasing.

Appendix 4: Interview Transcript – Catrin Scheer (October 29, 2024)

Introduction and Background:

Laura Seegers: Could you introduce yourself and your role in the company?

Catrin Scheer: I am Catrin Scheer. I worked in the kids segment for Tom Tailor and Esprit Kids and for a long time and was in charge of product development for Steiff Kids and Marc O'Polo Kidswear. These are all brands whose competitors can also be found in the mass market.

Laura Seegers: How long have you been in the non-luxury fashion industry?

Catrin Scheer: I have actually been working in the clothing industry for 33 years.

Laura Seegers: What was your main task with all the brands you made or did it differ?

Catrin Scheer: The main task was actually to take over product management and thus brand management and at the same time to take care of marketing for the respective area or brand for quite a long time. That was my main task.

Laura Seegers: Can you say how physical stores have contributed to the brand's mission?

Catrin Scheer: With regard to the Steiff brand in the past, I can say that it was a very important factor back then to have brick-and-mortar stores where the clothing was visible, because for a very, very long time, Steiff was not really associated with children's clothing at all. In the context of digitalization, it was of course also very important that not only physical stores, but also the online store was added and the corresponding marketing was also added. I think it's still very important, and I believe that physical stores still contribute to the image of the brand.

Laura Seegers: And how would you say that digital channels would contribute to this?

Catrin Scheer: Digital channels now have a very, very big influence because they ultimately represent the entire marketing tool and can always reflect very nicely on a physical store in order to utilize both opportunities. I think both are important and would say that digital channels are actually a very important aspect at the moment, but that bricks-and-mortar stores should not be ignored either, especially in the children's sector.

Brand equity and image:

Laura Seegers: Yes, and what factors do you think contribute most to building brand value or image?

Catrin Scheer: They have to have a desirability and I currently see desirability as the biggest opportunity for a brand to engage with the topic of testimonials or ambassadors or influencers, bloggers or whatever. And to actually use them as a selective advertising medium, which can then be linked both digitally and in stores.

Laura Seegers: How do affordability and accessibility affect the positioning of your brand on the market?

Catrin Scheer: I believe that it definitely lowers the inhibition threshold to go into the stores. The more the interested party or the customer has the feeling that it also fits their perceived price structure. However, we have actually achieved the other effect at Steiff. We positioned ourselves in a very high-end way, positioned it in streets or stores that were very high-end and, because it had such a high value, it was very successful in terms of image and relatively low price compared to a luxury brand. You could really identify with it, bought something of high quality, but actually paid very little for it in comparison. So there are two ways to set this up, you just have to do it consistently. Basically, however, I believe that the inhibition threshold is lower, for example, if you have the feeling that it fits your price range. Esprit and

Tom Tailor are similar, if you ran the brand as a mono-label store, then of course it was in the environment of the competition. It was never outside.

Laura Seegers: Do physical stores or digital platforms play a more important role?

Catrin Scheer: At the moment, I would clearly say that digital platforms play an important role. And I also believe that if you do it really well with consistent marketing, a good strategy and the right people, you can actually build a brand that may then need one or two flagship stores to create desirability. Also at the respective locations. But at the moment you can see very clearly that this digital world can also create brands, for example Caro Dauer and her label come to mind, which actually does this very well, or [name], which has just gone down the path of digital media, and then later set up a stationary store and only ever as a pop-up store or something else, and there is also a very good example of this in the children's sector, where she has just written a short term paper on the subject as part of a training course and has also shown that it actually works and that digital platforms, that the justification, play a very important role for the identity of a brand.

Laura Seegers: And why do you think that is the case?

Catrin Scheer: Because the ability to influence and the occupation of the generation that is now becoming parents in this case, or like you in general, is very strongly engaged with the digital world and it's impossible to imagine their daily lives without it. At least that's how I see it and that's why it's actually the best opportunity to meet your consumer and you'll have a greater chance of picking them up digitally and retaining them as a brand than through a physical store.

Physical Stores vs. Digital Channels:

Laura Seegers: How important are physical stores or stores for the overall business strategy?

Catrin Scheer: It's actually consistently important, both for luxury brands and for non-luxury brands, even for the mass market, I think it's totally important to play both and actually keep physical stores in mind and not completely abandon them.

Laura Seegers: But what role do digital channels play in expanding the brand's reach and improving customer accessibility?

Catrin Scheer: I believe that digital channels play a very important role at the moment. Of course, the right digital tools have to be tailored to the respective needs or target groups. But in the end, I think it's actually the best way to set up strategic marketing at the moment. And yes, to transport the brand to the right channels and also reaching the customers you want to reach.

Laura Seegers: Do you believe that physical stores and digital channels complement each other?

Catrin Scheer: Yes, I actually believe that it works, if you bring it together skillfully and really well, you have the opportunity to combine them in the best possible way. But you have to come up with a good strategy. And actually link them together, and of course that works best if you look at Germany now, if you have a location in various cities that can be accessed. Or you organize a kind of roadshow with pop-up stores, for example, then of course you have the opportunity.

Laura Seegers: And what was it like at the brands where you worked? Was it complementary or not?

Catrin Scheer: Well, at Steiff it's quite complementary, but they never refer to the respective locations in their online store. I think that's a bit of a shame, I still follow that. But if I were to continue a brand, it would actually be important for me to do so.

Laura Seegers: Can digital channels completely replace physical stores?

Catrin Scheer: To brand and build a brand, I believe that yes, they can. In the long term, I think it's important that they would also be visible in various major cities.

Impact on Brand Equity:

Laura Seegers: For the three brands where you worked, how did you measure the impact of the physical stores on the brand?

Catrin Scheer: In terms of sales, of course you could clearly see that.

Laura Seegers: And in the digital stores?

Catrin Scheer: In the digital stores, which were directly linked to our own online store, you could of course also see this very clearly afterwards. From all the insights that you can look at and if you somehow work with a discount code that is possibly linked to different stationary locations, which is also a good way to actually always see this very measurably based on the respective sales. Of course, you can also look at the views, but at the end of the day, the only thing that really counts is the turnover in the wallet of the respective brand. In my opinion, this also justifies all digital marketing measures.

Laura Seegers: And you just mentioned the discounts, is it or was it the case for you in the past that there were more discounts on the digital platforms than now, for example in the physical store?

Catrin Scheer: I don't think so anymore. But it's more selective and you've naturally achieved a greater impact more quickly with this discount.

Laura Seegers: OK and what exactly do you mean by more selective?

Catrin Scheer: You don't have it permanently, whereas you often have an area somewhere in stores that offers a permanent sale or another 20%. And I believe that this selective sale actually ends up selling almost everything at a discount if you observe it properly – at least that's my perception. So, in the end, every influencer does their business with a discount code. If that's not there, I think the likelihood that you as the end consumer will take part in this deal

is much lower. If that weren't the case, there wouldn't be so many discount codes being offered all the time. In the end, it's actually the company's job to factor in this discount. If you do this yourself with a stationary business, you do it anyway. If you calculate or work with larger associations, or forms of sale, or Amazon or whatever, you have no choice but to give these discounts because they demand them from the outset. And in that respect, it's almost always a calculated factor that plays a role there.

Laura Seegers: And do you think it's easier to build brand value through experience and physical stores or through online platforms?

Catrin Scheer: Digital definitely at the moment.

Laura Seegers: And why?

Catrin Scheer: You create desirability. And if you then manage to promote the cities or use your brick-and-mortar stores in such a way that they also contribute to your image, then you've actually done everything right. But definitely the online platform.

Laura Seegers: OK and how did you then ensure that the brands retained their characteristics, qualities and their image when they moved from physical to digital, for example?

Catrin Scheer: By selecting appropriate testimonials that conveyed our values, our characteristics and our ideas. And in doing so, we have also appealed to the target group that also values the same quality, appreciation and ecology, for example. This has been the case with Steif and Esprit, who have used recycled materials a lot in recent months and have of course also tried to increase their own brand value in a different way and have also used the tool of digitalization to do so.

Future Trends:

Laura Seegers: How do you think the role of physical stores will develop in this area over the next few years?

Catrin Scheer: They will really have a hard time because the sales per square meter may no longer necessarily be the *raison d'être* for all locations. And, in general, I believe that there is a rethink in society anyway, that quantity, mass and clothes are no longer quite as important as quality. This doesn't permeate all customer structures and all consumers, but I believe that awareness is changing. And you can see that in more cautious customers who are consuming less, buying less and that will definitely have an impact on physical stores. Because one or two things will no longer pay off and areas will no longer pay off and it's not for nothing that department stores like Karstadt or the former Kaufhof are going under.

Laura Seegers: Exactly, and that leads directly to the next question: whether these non-luxury brands will rely more heavily on digital platforms in the future?

Catrin Scheer: If you look at something like Primark, for example, I don't believe that will be the case. I also don't think it applies to H&M or Zara. These brands will continue to have brick-and-mortar stores because they know their customer base very well and understand that they still have customers who don't shop using digital tools. Besides, no one really knows how things will develop over the next 10 years. I think it will require very careful consideration to decide which locations to keep and which to let go. But I don't believe they will completely forego having physical spaces.

Concluding Questions:

Laura Seegers: In your opinion, what is the most important aspect of managing brand value in today's non-luxury fashion market?

Catrin Scheer: You have to try to know your target group as good as possible and engage with them in a way that ensures they remain loyal and continue to follow you.

Laura Seegers: And how did you plan to improve the brand image in the past?

Catrin Scheer: We actually tried, in our case, to work with relatively low costs, for example through influencers – especially on Instagram – to keep the brand relevant and active.

Essentially, to keep the brand alive isn't quite the right phrase, but rather to maintain its high image.

Laura Seegers: So, the physical space is supported a bit by the digital space?

Catrin Scheer: Exactly, and the physical space also provided opportunities, especially now during the Christmas season, to organize small on-site events where people were invited through digital media. I think that's important for the image of a mass-market brand that isn't necessarily H&M or Zara but rather falls somewhere in between.

Appendix 5: Interview Transcript – Christine Keller (October 7, 2024)

Introduction and Background:

Laura Seegers: Could you introduce yourself and your role within the company?

Christine Keller: My name is Christine Keller, but I go by Chrissy. My role is business controller in assortment at H&M, where I work on the global assortment. We manage the assortment that goes to every region, with each region having its own smaller portion. However, everything H&M produces comes from the assortment office in Stockholm. I personally work with the kids' boys' section, but the way of working is very similar across women's, men's, and other categories. As a business controller, I manage the budget for kids' boys and distribute it across different departments. I also work on strategies and global approaches for both the online and store channels for kids' boys.

Laura Seegers: How long have you been involved in the non-luxury fashion industry?

Christine Keller: It's been almost a year.

Laura Seegers: What is your brand's core mission?

Christine Keller: We say that it is to liberate fashion for the many, valuing quality and low prices while prioritizing sustainability.

Laura Seegers: How do physical stores contribute to it?

Christine Keller: I would say our physical stores are the core of our assortment. That's where we mostly focus our planning for having the most coordinated fashion drops. We focus mostly on store and that's how we create our full fashion picture. Our mission is to have fashion for as many people as possible, so we have lots of stores and that are catered to where the stores are located. Not all of the most trendy clothes are in every single store. We cater to the bigger stores more.

Laura Seegers: How do digital channels stores contribute to it?

Christine Keller: Our digital stores are even more fashion-driven because we are able to offer even more articles and clothes that are more ...like we call it an excitement layer. We have more exciting pieces of clothing online because we're able to have one warehouse that distributes to the entire globe just from one place. So, we're able to have lot more variety of clothes and have items on our website for much shorter periods of time. That gives us more access to follow up on trends and reach more customers through that.

Laura Seegers: You said before that you have a global assortment and a country specific assortment. Do you also have that in your digital channel or how does it work?

Christine Keller: It's a little bit complicated, but generally for the whole globe everything we have in store is also online. And then online has like extra pieces. Everything in store, you will always find online. But we do it by regions. We cater stores and online specifically to the region, but for the most part, we have every single article that's in our global assortment in every region. But sometimes we push smaller quantities of things in region South, which is southern Europe. For example, we push short sleeves clothes bigger than our long sleeve clothes. So, different quantities of things. Now we are actually moving into having short sleeved versions of long sleeve shirts, which is a little bit different. In addition, each region has a small little mini assortment, we call it Equatorial, where they come in with extra pieces. But that we don't even get to see what that is.

Brand Equity and Image:

Laura Seegers: What factors do you think most contribute to building your brand's equity and image?

Christine Keller: I would say for us, it's really important to have low prices. That's one of our biggest factors. Even when we see trends moving toward more expensive materials, like for summer linen, because linen is a really nice summer material, we still really prioritize having low prices. We also prioritize decreasing the prices on things even if we're not going to make any money on it, just so we can have online, or in-store deals that make sure that we can access all different types of customers even if they maybe can't buy all linen products. For example, maybe we have one product of linen that's at a lower price and we aren't making any money of it. But at least it gives access to people who can't buy trends normally. Sometimes it also encourages people to buy more products while they're on their shopping trip that's in-store and online. We take lower margins anywhere in the production process, just so that we're able to provide low price options and keep our brand image as something that's affordable to all people.

Laura Seegers: How do affordability and accessibility impact your brand's positioning in the market?

Christine Keller: I would say that we're quite high on the affordability and accessibility, because we have to also prioritize being affordable. That means we have to compensate often with low quality products. For example, we need to have something that looks like leather, but we're not buying leather as we're trying to be affordable and also sustainable. We then have a cheap leather product. It's kind of a give and take between some of our values in order to compensate for other values. Also, an important thing for accessibility, we make sure that we cater the assortment to specific stores as well, like having not as exciting clothes in those really small stores to make sure that we're catering to them as well.

Laura Seegers: Do physical stores or digital platforms play a more significant role in shaping your brand's identity? So what do you think is most important?

Christine Keller: I think, as of right now, physical stores have a greater impact on our brand identity, but we're growing so much in the online channel that we have to shift into focusing more online. We use our physical store as a way of showing our products in the specific trends that we plan. We group this one trend that has maybe a sporty feel to it all in one section of the store and we give buying suggestions. For example, you put a shirt, pants, jacket, shoes and a belt all together, kind of so it looks like a little mannequin – and we give buying suggestions. Through this we show that we're a fashion company and that affects our brand image in the physical store. But then our online store provides even more buying suggestions, but we don't actually necessarily always have a model wearing every single product.

Keeping our trends together and grouping them is more important with physical store because we create our entire assortment built for the physical store. Right now, that is the most important. But in the future, I see that online could have even bigger of a role than it currently does. Right now, we use online as a way to get more exciting products in and to actually cater to more trends that maybe people aren't actually buying in the store, but it will grow in the future. We also see our store as more of a want versus a need and online we see need and also want like in the store. For example, you may be on vacation, and you need a short sleeve shirt, you go and grab one really quick out of the store. But online you have to plan your buying patterns and so like it's a bit different of a customer buying.

Laura Seegers: You said that there's a like online only sales. How would you say or why does H&M does that? Do you know something about this?

Christine Keller: Yeah, we do them. Basically, the allocation system for online comes from one warehouse, whereas for in-store we have one or multiple in every single region. We're able to buy a lot less of a specific article. For example, if we're going to buy a really, really

sparkly blazer and pants suit set for around New Years' time you would have to buy at least 10 pieces per store and then you'd have to buy so many more of everyone to have a size in every single store. So, we're able to buy a lot less, have a lot lower cost and still cater to people who are fashion oriented using our online only products because, you only need to buy a few and they're all being allocated from one exact place.

Physical Stores vs. Digital Channels:

Laura Seegers: How important are physical stores to your overall business strategy?

Christine Keller: The stores keep our trends together. We try and use that as the way to like treat our company as more of like a fashion company doing big drops. Like we drop our trends in like seasons as a normal high end luxury brand. So the best way to do that is kind of like doing it all in store at one time.

Laura Seegers: But do you only have seasonal drops or do you have it more often like every couple of weeks?

Christine Keller: We do both actually. Basically, we have a fall season and a spring season and we plan different periods within each season, we call them visual periods. We know that we're going to have different trends or different kind of clothing vibes in each period, but in each timing throughout the season some vibes or trends are bigger than others. So then when some are bigger than others, we have more products and new products coming in of that vibe or trend. And so that's how we do it. So, there are new things coming in all the time.

Laura Seegers: What role do digital channels play in expanding your brand's reach and improving customer accessibility?

Christine Keller: Because we're so big, we're trying to mostly follow how other fashion companies release products. We're getting lots of partnerships and collaborations with big companies and we put that often online or we do lots of collaboration jobs only online as well as doing both online and store. We're using them to reach out to influencers and celebrities.

We had a really big collab with Charlie XCX, so we're kind of using it to meld different realms that are fashion related. We try and meld music into fashion to stay current with trends and reach new people by finding new influencers. It's really to stay current, I would say.

Laura Seegers: Do you think your brand's physical stores and digital channels complement each other in delivering a unified experience?

Christine Keller: I would definitely say yes, because I think in the past H&M hasn't done a global assortment and we've done like every region differently. But right now, we really focus on every single piece of clothing that we produce that's in store has to be online. We make sure that if someone sees something in store that they have the ability to look it up online and also buy it online. That's something we make sure in our planning process. We also have the global assortment and sometimes we remove articles for some regions, but everything has a baseline. Our baseline is Central Europe. Every single product that goes to central Europe is everywhere in the world or every other product that's ever in the world is always in central Europe.

Laura Seegers: And since when are you doing the global assortment?

Christine Keller: Well, I've always done it, but I've only been here a year so I would say at least a year and a half before now, they weren't using this.

Laura Seegers: Do you think digital channels can replace physical stores completely?

Christine Keller: I would say no. I would say definitely not.

Impact on Brand Equity:

Laura Seegers: How do you measure the impact of physical stores and digital stores on your brand's equity?

Christine Keller: I think every single brand is super different. I think that H&M, because it's already such a well-known corporation, really transitioned into being so fashion-driven online since COVID. I would say that is a huge determinant of us being more physically store minded

and that could be a trend in most non luxury fashion companies, but now people are buying so much online.

Laura Seegers: Do you find it easier to build brand equity through physical store experiences or through online platforms? And why?

Christine Keller: I would say more in store. It's super hard to measure out, but just seeing how your brand is perceived on social media would be a huge aspect. I feel like people do that through showing their hauls and for some reason it just feels to me that it's more in store than online.

Laura Seegers: How do you ensure that your brand maintains its characteristics/ qualities/ image when transitioning to digital platforms?

Christine Keller: Yes, I would say in order to keep things consistent online, we worked a lot with having a really strict marketing, having really strict fonts and styles that you use online. If we're now trying to transition from store into being more like high-end. Then when we go online, we have to follow a customer pathway online. So, that the customer also feels that they're on a fashion website like we've transitioned now. So, that one of the first things that pops up is like the "new-in" category. The "new-in" means any new products that are coming online, those are what's initially scanned through first. Whereas with most other companies you search through garment type like T-shirts, trousers, sweaters. And we do that from women, all through kids. We also do drops that come in all the time now. We're making it so that timing of our products entering stores and warehouses is much more coordinated. So that on our website, we can show, if we're doing a bunch of different articles that are Pokémon licensed – whether it's trousers, a backpack or a hat – we're doing it so that their all being entered into the website on the same week so that they can be shuffled into a bag. It's basically like a drop. So, this "new-in" becomes the first search place. They're all grouped together in the first 10 little boxes, and then when you scroll down, it's all of the similar colored sweaters,

pants and jackets. It's like entering into this more fashion-oriented mindset on the website, which is super important. We keep doing little tweaks to try and make it more fashion-oriented because that does help our brand equity, and it transfers online as well.

Future Trends:

Laura Seegers: How do you see the role of physical stores evolving in the non-luxury fashion sector over the next few years?

Christine Keller: I think that it's going to be a lot more experience-based because that's what fashion luxury companies are doing. When you go in, you feel like you're in a place that's pushing boundaries and whether that's with just clothes, with having really interesting accessories, having the whole outfit being suggested to you or stores becoming more experience-based rather than just putting products in a line on the racks.

Laura Seegers: Do you believe non-luxury brands will rely more heavily on digital platforms in the future or will physical stores remain a vital component?

Christine Keller: I think physical stores will always remain a vital component, but I think we need to be more strategic with when we rely on stores more than online channel. I don't think every region is made equally in the world. And I think in some places there's bigger shopping and bigger fashion trends online than in store. I think once we can tap into that, then maybe we'll be able to actually see if stores are better than online, or online is better than stores. But I think that we will still need stores because people really like shopping in person.

Concluding Questions:

Laura Seegers: What do you believe is the most important aspect of managing brand equity in today's market for H&M?

Christine Keller: I think. Maybe for us it's trying to balance all of our priorities from our mission, making sure that we're innovating with trends moving really, really quickly, but also prioritizing sustainability and always keeping sustainability in our choices throughout the

company. Because really, every single person in every role can make a difference to it. So, if a company prioritizes it, people in every position do. It really does make a difference with how quickly you make decisions. It can impact sustainability so greatly. So, it's really just trying to balance it within the company. It really is shown from the outside of the company.

Laura Seegers: How do H&M plan to further enhance the brand image and maintain its status and physical spaces?

Christine Keller: I think we're working on revamping our physical stores. We just had to rebrand, making the store look like a high-end fashion brand is what we're really doing. And I just had mentioned earlier, we also are really working on doing the outfit suggestions. I think that's a really big thing we're doing.

Appendix 6: Interview Transcript – Michael Pinkhasov (2) (October 17, 2024)

Introduction and Background:

Laura Seegers: Let's start. Could you introduce yourself and what exactly you're doing?

Michael Pinkhasov: So Misha Pinkhasov. Also, Michael Pinkhasov. It doesn't matter which one you use for the citation. I'm one of the two people who run the luxury stream at Nova SBE. I'm also a consultant in communications and branding specific, more or less for luxury brands, also at the intersection of commerce and social impact or corporate citizenship. More familiarly called sustainability. Although I don't like that word necessarily. My background is basically economics development with the OECD also in communications as well. But at the same time or interspersed with time working in the luxury field, particularly with luxury media.

Brand Equity and Image:

Laura Seegers: Then let's move forward. What factors do you think most contribute to building a brand's equity and image for non-luxury brand?

Michael Pinkhasov: For a non-luxury brands I think product reliability followed by advertising. I think that's really the two of them. Product reliability is followed by advertising. In a sense, for the classic four piece of marketing: product, place, promotion and price.

Laura Seegers: OK. And how do affordability and accessibility impact the brand's positioning in the market?

Michael Pinkhasov: For a lot of non-luxury prices what they compete on. Looking at breakfast cereal or shampoo, there isn't a huge amount of product differentiation. There's flavor differences, but that comes down to subjective taste and people will like one more than the other. It's something you can necessarily control strategically by the fragrance of a shampoo, the taste of a cereal, et cetera. Colors, shapes, whatever. That's all ultimately the difference between luxury and non-luxury. Non luxury essentially compete on price and accessibility. It's a convenience economy. How easily can I get this? How easily can I meet this need? Whether that's a financial concern or it's a logistical concern.

Laura Seegers: What would you say if it comes to fashion? Is it something different than like for example cereal, some shampoo or something? Or is it still the same?

Michael Pinkhasov: It depends on the article, if it's a black sweater, a black Kashmir sweater, if it's a black casual sweater from H&M versus one from Zara. It's going to come down to how it looks, the cut, the feel of the fabric. It's not going to come down to very core factors. If it's Black Kashmir sweater. It's particularly a simple thing, but even if we're talking about a cocktail dress, right? I think these items are highly substitutable. It's not really about the brand you get it from. If you pick it up from Mango or if you're in the US GAP or Banana Republic. It's just not a big deal. People are going to go and they're going to find the one that they like.

Laura Seegers: And do you think that physical stores or digital platforms play a more significant role in shaping a non-luxury sessions brands identity?

Michael Pinkhasov: Well, in non-luxury fashion they might. If I'm looking for a pair of pants and I don't spend more than €100 on it, for example, because I just need a pair of grey pants, I guess I will research them online. I don't know how much time. It depends how people shop. A lot of people are very comfortable with ordering things online, trying them on at home, putting them back in the box if they don't like them sending them back. But a lot of people still like the experience of going into the store and feeling the fabric and trying it on in the dressing room. Shopping is not just need fulfilment. It's also sort of a way to pass time. It can also be a social activity.

Laura Seegers: So you would rather say it depends on the people's liking?

Michael Pinkhasov: I think it does. I think obviously e-commerce has grown tremendously in particularly in non-luxury apparel. Where people will go on Amazon, they might go on the brand's own platform and order a bunch of stuff and they're perfectly happy spending. Especially with Amazon it's so easy to return things. That has become less of a differentiator, but for some people it's still about going into the store.

Physical Stores vs. Digital Channels:

Laura Seegers: And linking to this question that I just asked you, what would you think has a greater influence on shaping the brand's identity like physical stores or digital platforms?

Michael Pinkhasov: I think they work in synergy with each other. There are a lot of up-and-coming apparel brands which are non-luxury which are sort of kind of niche, are direct-to-consumer. So, there is no physical store. Your only option is to order these online and obviously for those cases, the online experience is everything, well, not just the online experience, but also the offline customer service experience. How quickly does the package arrive? How reliable is the delivery company that the brand uses? I think we all have the experience of sitting at home all day waiting for a DHL package only to get a text message at 8:00 in the evening saying we tried to deliver it. But it's like I was home all day. And it's

funny because that's DHL, but it reflects on the brand as well. Especially if you've paid the brand for fast delivery and you end up getting the package the next day anyway just because the delivery company that they use is useless. So, there is that. But then for established brands that do have physical stores, it's really a mix. There are some people who research in store and buy online. There are some people who research online and then eventually decide which store they're going to go to and buy it there. I think we're really in a omnichannel. There's another word for it too. That's been used. It's more recent even than omnichannel or more, more intense fidget.

Laura Seegers: You mean phygital?

Michael Pinkhasov: I guess phygital. Where the two are really interacting, where we have to stop thinking of this idea of individual stores. And think of this brand ecosystem within which the consumer is walking around. And if the store happens to be nearby, they'll go in the store. But if not, they'll go on their phones. They'll go in the app or if they want to see it bigger, they'll go on their computer at home. So, I think we can't separate the two anymore.

Laura Seegers: OK, then the next question would be how important are physical stores to the global business strategy?

Michael Pinkhasov: So, I think the question is not how important are they? I think the question is what are they important for? Because online and physical each have their advantages and each have their disadvantages, and I think the trick is to get them for the advantages of each to complement each other. It's not about if one is more important than the other. It's about what's their role, what's their function.

Laura Seegers: And what would you say are the functions of digital and what are the functions of physical stores?

Michael Pinkhasov: So, for digital, it's convenience, it's privacy. It's for those of us who don't like to be in a crowded store, especially at Christmas. It's all those aspects of

convenience, right? It's a whole other level of the customer customizing their brand experience because. If I want to do it in bed, I can do it in bed. If I want to do it on a bus, I can do it on a bus. I can do it at the exact moment I want. I can do it at 4:00 in the morning or I can do it at lunch time. I can do it while I'm eating. Where's the store? You have to be in the store, right? So, no matter how much the brand customizes the individual experience, they can never get to the level of customization of just appearing on your phone and letting you do the rest. So, the digital is for all forms of a physical and psychological and maybe even financial convenience. It's also important, for example, if you think of customers who have limited mobility or accessibility need, right. The ability to shop from home means the don't have to navigate the urban environment with public transportation. The story in a wheelchair in the dressing rooms and da da da right. It's an amazing thing. The store, on the other hand, is important too. It's a different kind of convenience. Well, it's more of an immersive brand experience, of course. So, that's where you can go for stores even non-luxury ones, right? It's the lighting. It's the smell. It's the music. It's the interaction with the customer. It helps. The store build trust. When I buy from a brand, even if it's a brand, I kind of like and respect. And if they only have a digital presence. I'm trying not to base this too much on personal examples, but if they only have a digital presence, it's a little bit harder to trust them. There's always this question of like, well, how old are they really? How legitimate are they really? How does it look like? Are they a respectable apparel brand or did they just adopt the visual codes and in fact this is all garbage and it's made by labor exploitation somewhere in China or in Bangladesh and it's only giving the patina of being a respectable company. You never really know. Whereas in the store when you interact with the personnel. You see how the staff behaves. It gives you an insight into what the company culture is, what the management culture is. And so, you start getting a sense now. It might be a completely false sense, but it does give you a sense of is this brand. Is this company a serious player? You get to see the

merchandise. You get to interact with the merchandise. The quality of the build of the store. I think people don't really focus on that very much, but do they bother to have custom lighting or custom shelving or is it all just sort of the standard stuff that you pick up at any hardware store. It all gives a sense of the brand, even for non-luxury brands. It's the store. If the website is convenience, the store is credibility. I would sum it up that way.

Laura Seegers: Thank you. So, what role do digital channels play in expanding your brand's reach and improving customer accessibility?

Michael Pinkhasov: Well, the thing is the digital store is accessible from anywhere, right? I can live in a farmhouse in the Pyrenees and still get H&M. I can see what H&M has available without having to get in a car and drive 3 hours to Barcelona. So, digital allows a brand to be anywhere. I can be in the Azores. I can be in the Maldives. I might have to wait for the package a bit, but digital allows a brand to be anywhere available to anyone all the time. It allows, depending on how savvy the user is, to shop different national markets of the same brand because sometimes the offer is not quite the same. There might be certain styles or certain colors available in one country that are not available in another. It allows people to compare shop prices to feel like they're getting the best deal. It allows. It enables. This isn't really for the brand, but it enables secondhand, which for some brands is important, particularly as they start to engage more and more with the circular economy. So, maybe they buy back with what we're now calling preloved articles from customers. The brands are allowing customers to trade them in for newer or for discounts on newer versions. It just gives many more opportunities for brands to think about their size and the shape of their sales space.

Laura Seegers: OK. And would you say that digital channels can replace physical stores completely?

Michael Pinkhasov: I don't think so. It's funny. If you look into the example of Jay Peterman, Jay dot Peterman company. It was – this is predigital – a company that was a pure catalog

player. And they started out digital, I think in a way that's really what digital replaced, it replaced catalog. I don't know if you remember this or you had this experience of like getting a catalog that would arrive in the mail at your house and you would just order things from that. So, I think that's really where the replacement is. Because a lot of those catalog companies, some of them have physical stores, many did not. Actually, without going into the specifics of J Peterman, I think that's actually is the insight. Digital is more a replacement for catalog than for physical.

Laura Seegers: OK, but for example, there are now a lot of companies that are just digital, so you would not say that this is like the future?

Michael Pinkhasov: I think it's the future for some companies. But I think it's a lot harder to build credibility on digital platforms without the physical experience. Credibility could basically come from repeat purchases, but that's a trap because for me to learn to trust you, I have to make repeat purchases. But for me to make repeat purchases I have to trust you. So, the things are going to come in a very, very slow way. Now, there are other ways that you can build trust. For example, I just bought this pair of sneakers online from a brand that I'd actually never ever heard of. And buying shoes online – I hate it, because I remember it's like, are they going to fit? Do I have to send them back? What are they actually going to look like on my feet. But the more important thing was that I had never, ever heard of this brand. But I trusted them because they were in a partnership with the Americas Cup to design uniforms and merchandise with the Americas Cup sailing race. And I happened to be looking for sailing shoes. So, that affiliation replaced the credibility of a physical store. And it got me kind of over the barrier, over the hump of trusting them enough to say, OK, I like the shoes. I like the way they look in the photographs. I'm going to give them a try and if I don't like them, I'll deal with the inconvenience of sending them back. But with other brands, I think it can take years, months to years of surfing their website. I think if you're talking about thoughtful

purchases, on Amazon. So, when we're talking about digital, we're talking about mono-brand digital. We're not talking about multi-brand platforms like Farfetch or Amazon, OK, because that's a whole other world.

Laura Seegers: No, we talk about mono-brands.

Michael Pinkhasov: But the thing is I don't know. So, this was a pair of sneakers for sale, and it's a fairly specialized purchase. It's the thing that's going to be hard to find – an article like, something from H&M, something from Zara – the stores are convenient enough that unless the purchase is very, very urgent I think then the digital and the physical channels come into competition with each other. I don't think there's a strong drive. The digital serves more to do research to say, well, is it worth my time to go to H&M or Zara to check out this thing in person. Because do they even have it? Does it even exist? If I'm looking for, I don't know green turtleneck. So, will digital ever fully replace physical for these brands? No, I don't think so. If H&M were to close their stores and go purely digital. I think they would lose a lot of customers.

Impact on Brand Equity:

Laura Seegers: And how would you say one measures the impact of physical stores on brands equity?

Michael Pinkhasov: It's real easy to track sales in a digital store. Sorry, did you say digital store? Physical store.

Laura Seegers: We're trying to figure out both physical stores and digital stores, but not on sales, like rather on the brands equity, how one can measure that?

Michael Pinkhasov: At the end of the day, it's about sales conversion. Ultimately, I think that's what brand equity is. Do people buy? That's the ultimate measure of brand equity: do people buy it? So, I don't know that I understand the question exactly. But I think the ultimate

measure of brand equity is. especially for non-luxury where it's affordable to many people, do people buy from the brand?

Laura Seegers: OK. And would you say that building brand equity is easier through physical stores or through online platforms?

Michael Pinkhasov: Good question. I think it's easier on digital because you can communicate in more ways on digital, right? You can even have videos. You can tell stories like nobody's going to listen to your story in a store. They're just going to interact with the product. Digital gives you the opportunity to end the share of mind or mind share rather than market share. To tell stories, to engage the consumer, to interact with the consumer and not about product. Things like quizzes, things that make the consumer feel seen and recognized and serviced. In ways that are just hard, if not impossible to do in a store. Digital is much more flexible. But a big part of brand equity is the credibility, and as I said before, I think the physical stores' role is about the credibility. It's about lending the credibility. That's a little hard to establish on digital because digital is an environment where we're all quite skeptical. So, again, I think the question is not which one, but what which one is more important for building brand equity. I think it's a question of what ingredients do they contribute to brand equity. Brand equity is an incredibly complicated cocktail with a lot of small ingredients and some of them are best done online and some of them are best done in the store.

Laura Seegers: And how would you say a brand can ensure that it maintains its characteristics, quality, image, etc. when transitioning to a digital platforms?

Michael Pinkhasov: Well, I think it's important to not think of the digital platform as a separate beast from the rest of the brand. I think there was a long time that people thought of stores and e-commerce, and they were separate departments. Sometimes the e-commerce was even subcontracted out to somebody else entirely. I think the same things they do to control the brand image, the brand environment physically. They need to do that. So if we're talking

about the websites in e-commerce, I think it's very important to hire designers to think about, what's the brand experience in store and how does that translate onto the screen, both desktop, tablet, and phone. Obviously, the graphics, the presentation, the organizing of the collections. Sometimes brands can leverage strategically having separate collections or at least some parts of their collection separately available physically and online. Sometimes you have online-only or in-store-only depending on where you want the customer to go. But I think you have to be careful with that because, ultimately, I think for a customer who's doing their research online for a product and they go into the store and they discover it's not there, that's going to be a pretty frustrating experience. But I think there has to be a consistency between the collections between the services that are available but consistency in a way that really leverages the advantages of each. If one of the advantages of digital is that I don't have to wait in a 30min line to try on a piece of clothing then it should also be convenient to order in return the object after I've tried it on at home, or to order multiples of an object in different sizes because I don't know if it's going to be the smaller or the medium. I think it's in terms of thinking of the consistency of experience and thinking of the digital as an extension of the physical store, not as an alternative to it.

Future Trends:

Laura Seegers: OK. So, then going to our next question, how do you see the role of physical stores evolving in a non-luxury fashion sector over the next few years?

Michael Pinkhasov: I think they continue to interact with each other more and more based on however a customer shops, based on do they do their research in person, does the customer go to Zara, try on 15 sweaters and then pick one and then buy it online, or do they surf the whole internet to figure out which store to go to try on the sweater and buy it in person? Do they go in and experience the brand and try on some articles and then have to walk away and think about it without having the pressure of buying it in the crowded store at the time that the

stores open, versus being able to do it when they have the head space to really think, to really reflect and think about it. How thoughtful is the customer? But I think the combination of physical and digital gives the customer options to shop in a way that suits them. Rather than shopping in a way that suits the brand.

Laura Seegers: OK. And would you say non luxury brands will rely more heavily on digital platforms in the future or will physical stores remain a vital component?

Michael Pinkhasov: Physical stores will remain vital, but again, I think the question is what for? How will these roles evolve? And I think we just need to think – it's a very big mystery. I think we just look at the attributes and the advantages of each. And what happens is that physical is used more and more to build sort of credibility and physical interface with the brand. Whether it's touching the fabric, trying it on, maybe a return right. And the digital becomes more about the storytelling, more about leveraging the power of images, of sounds of video, of the flexibility of the format, well, flexibility within the two-dimensional screen. It's two-dimensional versus three-dimensional. That's the other thing. You can play with more senses in the store. It's more of a sensorial experience than just visual video and audio on the screen. I think it's more about leveraging those things and becoming more and more agnostic about where the purchase actually happens. But the question is then how to stay engaged with the customer, as the customer's moving through this digital universe. How do you keep the customer engaged as if they're in the store the whole time. Even if that time is now, or in three weeks, but it takes them to make a purchase decision. So, it's about leveraging all of the aspects and also thinking about not just agnostic, about where the purchase happens, but being agnostic and flexible about where all the transaction happens, right. If, for example, my big barrier from buying online is, I'm not sure if the article's going to fit or if I'm going to like it and then I don't want to have to deal with the whole process of putting it back in a box and putting a sticker on it and then going to the post office or calling DHL and then having to be

home. Can I just take this thing to the store like even though I bought it online? Can I bring it into H&M, the closest one to my house at a shopping mall where I'm going to go anywhere anyway? For some other reason? Can I just bring it there and drop it off there and get my money back? A lot of times you can't, right? A lot of times there's still the separation because anything that comes from the warehouse has to go back to the warehouse. But the thing is the brand's always send stuff back and forth to the warehouse anyway, so can't we just add this to that? That has a lot to do with inventory control and stocks. And the geographic management that suits the company. But I think more and more companies start thinking more and more proactively about how to put the customer first and make the experience center on the customer. I think there are a lot of options for how these two channels can evolve, but I think the idea is convergence rather than replacement.

Concluding Question

Laura Seegers: OK. Thank you. And then the last question would be, what do you believe is the most important aspect of managing brand equity and today's non luxury fashion market?

Michael Pinkhasov: Trust. Trust in the product quality, trust in the customer service, the return procedure, the problem resolution, trust in the sourcing and the ethicality, environmental and social of the supply chain and of the value creation process. I think at the end of the day, that's what brand equity is. It's just trust.

Appendix 7: Interview Transcript – Didi Axt (October 31, 2024)

Introduction and Background:

Laura Seegers: Could you introduce yourself and your role in the company?

Didi Axt: As the CEO of MUSTANG GmbH, I am leading the successful repositioning of Europe's oldest denim brand. My focus is on implementing the "TRUE DENIM 2022" strategy, with key priorities in brand strengthening, omnichannel sales, digitalization, and

sustainability. Previously, I was Chief Sales Officer at FALKE GmbH, where I realigned global sales strategies and repositioned the FALKE sports brand. At TOM TAILOR, I was responsible for international sales and licensing. As Managing Director at DIESEL, I established a subsidiary and positioned DIESEL in the premium segment. My network and long-term market experience are valuable resources for my work. This is my role – I'm highly familiar with the market and the sector.

Laura Seegers: How long have you been working in the non-luxury fashion industry?

Didi Axt: I started in 1992 as a trainee at Esprit and worked there for ten years, from trainee to Global Division Manager. Towards the end, I also created a brand line, Esprit Sports, and took on various roles in sales, key account management, and division management. I left the company in 2002. So, I've been in the industry for 32 years. The great thing about the industry is it keeps you young, and now it's getting really exciting because it's getting turbulent. But our industry has been in crisis for 20 years. Some people refuse to acknowledge this, but we have had significant transformation challenges, and we're in the midst of them now. This has always been my area of expertise – helping companies train, move forward, and even change in good times. Many have forgotten this, which is why we're currently seeing some turbulence.

Laura Seegers: So were the transformations mostly towards digitalization?

Didi Axt: It varies. When I speak of digital transformation, I'm not talking about digital sales, but about things like ERP systems, 360-degree perspectives, and even AI-driven product assortment management to optimize stock levels, etc. Then, of course, came the big wave of digital start-ups in 2014, 15, 16. The cheap money led to an insane amount of upgrades - Zalando, About You, you name it. This continued through the pandemic, when it surged dramatically, and some people mistakenly thought that would be the new norm. But then came the crash – the online business, with its complexity and processes, started to decline. As the

cheap money was no longer available. No one has filled the chimney with money anymore, and it's flying around everyone's ears. For retailers, the digital business in fashion doesn't make economic sense when return rates are over 50%. Even for brand companies, it's highly challenging. Adding the marketplace model, where everyone jumps in, is an absolute disaster because it's financially unprofitable. At Wormland, for example, one of the first things I did was close the Zalando marketplace. Big brands like PVH (Tommy Hilfiger, Calvin Klein) are also leaving marketplaces, as is Hugo Boss to some extent. You can do digital business, but with common sense – it's not the panacea. The physical stores that were long thought to be dead are experiencing a renaissance, if done right – through shopping experiences, in-store brand displays, and so on. As I said, digital has changed a lot. From an omnichannel perspective, it is important that I reach all touchpoints where I can reach my customers, but it should also be consistent. Sometimes, channels were disjointed, with online operations disconnected from wholesale and retail, and that's what happened to Esprit. A brand that once made 3.2 billion in revenue is now nearly gone because everyone was just selling in every direction, with a lot of off-price sales. Now, Esprit is being liquidated, which hurts because it was my first station. But it was foreseeable. It wasn't a surprise. I've always been forward-thinking and outspoken. In 2018, I advised private equity firms, warning them of the risks of online. Back then, no one listened. Now, people admit I was right, but it's too late. It's like always, when you go against the mainstream, it's difficult to get people to listen. But it is obvious, online business needs to be done sensibly. You can't run a business with 50% return rates, shipping things back and forth for free. That's basic math.

Laura Seegers: How would you say physical stores contribute to establishing the brand's mission?

Didi Axt: These are classic wholesale brands. When I started at Esprit in the 90s, there was hardly any retail. That came later. We sold primarily to specialty retailers, large department

stores, and conglomerates. Back in 1995, there were only four large department stores in Germany – Karstadt, Kaufhof, Hertie, and Herten. Today, there's just one – P&C, P&C Nord, or what you call them – and it's struggling. That was how business was done back then. We sold to them, and they resold the products. That meant a double margin because both wanted to make a profit. Then came the vertical wave – which is definitely the ultimate in global development and how I run my business. In terms of organization, they are simply the best of the best. And then we started to build up our own retail business, i.e. D2C. Own retail, both with their own stores and with franchise partners, which is not fundamentally wrong for large cities to achieve this. But mistakes were made there too. Stores that were too big, rented too expensively, not aligned with my wholesale expertise and knowledge. And yet, of course, I still have to stick to the prices, which means I was still too expensive in some cases because I bought into the retail trade. In other words, that's when it actually started. That was the second wave. And then came the third wave with digital. I had wholesale, retail, and then online. At Esprit's peak, I think we did 600 million euros digitally, but 70% of that was through promotions and discounts, which completely destroyed the core wholesale business. Remember, wholesale was the most profitable business. You sold at your terms to third parties, and they sold it with an average margin of over 40%. In other words, that's where the money was earned. Then you put it into trade. They opened their own stores, invested, and so on. And that's how the whole thing progressed, and they increasingly gave up their wholesale business. In other words, you earned the money and then tried to be a retailer. On the other hand, the retailers also tried to be brands. P&C, private label, Kaufhof, just as much of a disaster. So, “Cobbler, stick to your achievements”, I was told at some point. But somehow that completely slipped. And now we're in 2024, and aha, retail is back. Brick-and-mortar retail is experiencing a renaissance. Suddenly it's “in” again. Even among young people. I have an 18-year-old son. They also like to go shopping in the city. I experience it at Wormland.

We have great potential. However, you also have to do something about it, namely create an experience. And you have to bring all the touchpoints into line. That means whether online, Instagram, wherever, or stationary. It has to be the same approach. There's still a lot of catching up to do.

Laura Seegers: How do you think digital businesses contribute to establishing a brand's mission?

Didi Axt: Digital has certainly been effective for large players like Otto, About You, Zalando, and Breuninger, to name a few of the German greats. Breuninger has the advantage of being a premium player. In the premium and luxury sector, it's different because you have higher margins and prices. That allows for more flexibility with returns. If I ship a €19 t-shirt with a 60% return rate, I might as well burn it – it's not viable. That means they have grown very strongly. But even there, growth has slowed down. Then everyone tried to offer a marketplace. Every brand was everywhere, which led to a situation where every retailer in our free market system could offer its own prices. We have recommended retail prices, but everyone does what they want. At the peak, PVH Group had 3,000 items on the marketplace, but in total, it was 14,000. Every retailer undercut prices. Brands couldn't control their identity. Now, everyone realizes that you need selective distribution policies to control where and how your products are sold.

Laura Seegers: And now looking again at mono-brands, what's the situation there?

Didi Axt: Mono-brands are simpler because they are not represented everywhere. Big luxury brands have pulled away from wholesale and now focus more on experiences in their own stores. And insofar as Stone Island, which was bought by Moncler, continues to try to consolidate and become stronger. It's certainly different in the usage area. They can be more successful, they also live more from their boutiques, precisely because they are also globally active. They still invest a lot in locations. And I would say they still make 80% of their sales

digitally. Not every brand, but most of them are stationary. And there is, of course, the other issue. Ultimately, they have the problem of global distortion. And because it's digital, of course, you now also have the task of looking the same everywhere. That means whether you're on Fifth Avenue, or in Ginza in Tokyo, or in Hong Kong, anywhere, it doesn't matter, you always have to be the same. That's the big problem for brands. Of course, they had an incredible resource, but on the other hand they also had price developments that were beyond good and evil, which is now blowing up in their faces. And of course they have cases like Gucci, which were hyped because of Alessandro Michele and are now getting hit again and are in free fall. And there are these conglomerates, LVMH and PVH, and so on, where an incredible number of brands are bundled together. And they thrive on breadth. There are always crashes. But the luxury segment has certainly grown. But there is a certain amount of stagnation there too. We have a crisis in the world. And of course they have all focused very strongly on Asia. China really is a problem market. It is for everyone. They all have problems there simply because the Chinese have decoupled and most of them didn't anticipate it early on and didn't concentrate. Central Europe is still important, as is Eastern Europe. Then we lost Russia, which was a huge market. So there are already upheavals, both on the trade side and on the procurement side, which are huge.

Laura Seegers: But aren't there also mono-brands in mass fashion, too, with their own online stores?

Didi Axt: Yes, but brands like C&A, H&M, and Zara are price-sensitive. That means, if they offer free shipping or handle returns without cost, it's difficult to make margins with these prices. They have a share, but C&A, I did a project there with Bain, the online share was 8%, so it was manageable. And even that wasn't profitable. So you always have to look at it holistically. I believe that the topic of "click & collect" or "in-store" is an important one. You

get something sent to you if it's not there, but they tried this as a purely online offensive, but it didn't work.

Brand Equity and Image:

Laura Seegers: In your opinion, which factors contribute most to building brand equity and image?

Didi Axt: As with everything with brands, a brand grows from the inside out. A brand is consistency. Consistency in every nook and cranny. That means I can control it. But it's about having a clear signature, having a clear statement, having clear values that I stand for and implementing them with consistency. So not fast and high and far, but to build it up in the long term. Strong brands, the strongest for me, and my favorite brand is still Hermès, which is the ultimate. You know what you have, it's the highest level, there are no compromises. I sit down in the store from time to time and just breathe in the air of success, because it's just so great and of such high quality. They increase the prices every year, and nobody cares because it really is true luxury. A lot of these pseudo-luxury brands aren't luxury or anything like that, Supreme or Off-White, they come along and are hyped. They don't say I never want to be an in brand for nothing, because if I'm an in brand, I'm automatically an out brand at some point, that's just the way it is. "In" is never good. It's the same with companies like Levi's or something else that have been successful for decades, centuries, they will never benefit from the hype, not even in the jeans sector. But they will be successful in the long term if they do their business properly, simply because it's an icon.

Laura Seegers: How do affordability and accessibility affect the positioning of your brand on the market?

Didi Axt: It's very different. There are brands that are hyped like Zara. Inditex has been growing for years, that's entry price, that's not discount. But entry price point, good mix, excellent operational system behind it, and excellent stores. Zara has never advertised, they

simply do it from the stores, they grow there. In other words, value for money, accessibility, fit, everything is good, for a good price. There are also more expensive things, but the mix is just right. As I said, I believe that adhering to brand values is the be-all and end-all. I also did a brand core consultation in Corona, on the topic of brand and how it will develop after Corona. So all topics where it's about consistency. As soon as I deviate from my path or get into a vortex, it simply becomes difficult because brand loyalty is no longer there, especially among you young people. We grew up with brands, from Tempo to Zewa to Mercedes. That's no longer the case today. You are completely different, completely erratic. And that's why I think this incredible focus on Gen Z is completely wrong. Because we can't pick you up with ideas and dreams, it's about power and performance and nothing else. That's a completely wrong turn. I'm concentrating now, I'm suddenly getting younger or taller or faster. I can't simply position a brand from one day to the next. The brand value, the brand essence, most people also confuse marketing with brand, in other words a brand essence. I once carried out a major brand core analysis at Mustang. Back then, we completely reworked the brand core – Europe's oldest jeans brand. And that's why we keep coming back to the same thing. In the end, it's the consistency of brand management. I can't jump on every boat. What do I stand for? I stand for jeans in an accessible price range with an excellent fit. We called it the end of the search. So when you get to the end, you know Mustang because you know you have the perfect pants at the perfect price.

Laura Seegers: Do physical stores or digital platforms play a more important role in shaping your brand's identity?

Didi Axt: Well, we are a haptic industry. We live and breathe clothes, which means touching, feeling, fabrics, etc. That's why stationary will always be the most important, underlined by digital, because I can act at short notice. What I said earlier is that it goes hand in hand. In other words, the teaser on the digital, right through to the city, in the shop window, in the

store. How do I play the whole thing through? How do I play it out consistently? But as a haptic product, clothing is haptic. How many disappointments have you experienced when you've ordered something home and suddenly you've got the wrong item, the wrong size, the wrong quality? That doesn't make it any better. Rather, quite the opposite. So, will rhar play a bigger role? It goes hand in hand, which is why omni- or multi-channel is certainly the decisive factor. In what weighting then? It depends on the brand; if it's a big city brand, I'll have fewer locations, of course, but the right ones. That will be the decisive factor. But stationary will play a huge role. Outlets are also expanding. There are now outlet centers everywhere. This is also a type of marketing that is no longer just junk, but where you simply have a store in the outlet center that looks like a normal outlet store. So if you go to Metzingen, to Outlet-City Metzingen, there's Prada, there's Gucci, there's everything. Huge business. In other words, it's about 360-degree control of the brand.

Physical Stores vs. Digital Channels:

Laura Seegers: How important are physical stores to your overall business strategy?

Didi Axt: That's important, of course, because in certain large cities there are no longer any brick-and-mortar stores. This means that people have started to open large stores in the key cities where you can find the entire brand. Because Esprit had twelve different lines at the peak, so from Kids to Esprit to Ford, everything. You had everything under one roof. That was the beginning of success, but also the beginning of the end. Because everything was blurred by then. That means you have to manage which brand takes on which tasks so that there is no competition between them. Of course, you can't have a situation where, from an economic perspective, the retailer is suddenly the first to reduce and sell out the most and run the most promotions. That of course disturbs the overall picture. In other words, this also means a uniform approach. That's why the luxury market is certainly stronger. They control this very precisely and have a selective network of retailers that they work with and monitor

closely. This has been completely lost in the mainstream. It feels like everyone does what they want.

Laura Seegers: What role do digital channels play in expanding the brand's reach and improving customer accessibility?

Didi Axt: You'll be more widely represented, but brand reach and strength don't come from being everywhere. If I'm available everywhere, that doesn't add value, it's more of an inflationary distribution strategy. So, selective distribution is definitely better than being everywhere.

Laura Seegers: But would you say the same for brands like Zara and H&M, for example?

Didi Axt: Yes, even for them. I believe Zara is not even on marketplaces. They have their own store, and that's it. They don't go anywhere else. And all others are increasingly pulling out of marketplaces. Zalando buys from them like a wholesaler, but for many, the marketplace model is done. They no longer use it because the algorithms there always push the cheapest price, which means you're already priced below your value right from the start.

Laura Seegers: We meant more like the brand's own websites and e-commerce as digital channels

Didi Axt: It's very important that something happens there. But something also has to happen. That's where your own store is usually attached, where new campaigns are presented, where cooperations are introduced. That is an important topic. The key topic here is CRM, i.e. customer relations management. How much I bind my customers. Because only if I live that out do I always have to take action. This is also a topic that we are pushing at Wormland. We have 54,000 CRM members, but only half of them are ever active. What do I do with them? Do I give them a birthday card? Do I invite them to events? What do I do with them? That's the big task. Not setting it up, but how do I interact? Interacting also means responding. That means I have to be well prepared. I also have to be able to play it well.

Laura Seegers: Do you believe that physical stores and digital channels complement each other now and provide a unified experience, or not so much?

Didi Axt: I'd say about 80% not.?

Laura Seegers: Why do you think that is?

Didi Axt: Because in most companies, these channels are often set up in parallel. For example, in 2016 at Mustang, I made the head of sales responsible for everything. After all, there's only one customer out there, so there can only be one message. After all, there's only one customer out there, so there can only be one message. But when you have an online chief, offline chief, outline chief, and retail chief, then each person does their own thing. In the end, you end up with a chaotic mix. You can often see this, especially with promotions. As I say, that was the beginning of the end at Esprit. It's challenging, but there's only one customer, and no matter where they are, they need to receive the same message. If a product, like a nice white sweater, is on sale, it has to be on sale everywhere, or whatever the offer is.

Laura Seegers: Do you think digital channels could replace physical stores?

Didi Axt: No, that won't happen. Digital channels won't replace physical stores. There's also talk of Instagram shopping, which is all well and good, but we're talking about percentages that don't significantly affect the business because it's so fleeting. It's like influencer marketing. There are very few real influencers. The trend is to use a broad range of influencers, but what good is it if Caro Dauer wears Gucci and you wear Louis Vuitton? That has nothing to do with authenticity. That is bought reach. And I believe that's not brand building because a brand is durable. A brand is reliable. A brand has clear consistency in all its actions. And that's not what's happening here. So, digital channels won't replace physical stores, it will complement it and in the end everything comes together at the point of sale (POS). And right now, 80% of our sales are still from physical stores, or 75%, and it's crazy that so much money has been invested in digital. We've burned money, and haven't invested in physical stores,

where I actually make my revenue. That's the investment backlog we also have in our stores. Nothing has been done because the focus was on building digital. It failed, money was spent, and now there's nothing left. So what do we do now? This is why we are seeing these waves of insolvencies. And this will continue, and more will be wiped out. It's not a problem—there's already enough, there's already enough.

Impact on Brand Equity:

Laura Seegers: How do you measure the impact of physical and digital stores on the brand's equity?

Didi Axt: I'm not sure; we'd have to start surveys, so to speak. But I see it in the sales distribution. How much revenue am I generating in physical stores? How much profit do I make there? Where are my customers? If I have a customer, I can track where they go. How often do they visit the store? What's the frequency? What's the conversion rate? How often do they buy? How often are they at touchpoints? I can measure that very well digitally and online. And that will be the decisive factor. But it also depends on whether the online customer has accessibility. For example, we recently closed two stores at Wormland because they were just too expensive, in Nuremberg and Frankfurt. Still, we have a community, but they don't necessarily drive to Hannover or Munich every week. So we try to reach them digitally. But you can track this really well through touchpoint CRM, determining how many times the customer visits and where, and what impact that has. And again, physical retail comes into play. Right now, at Wormland, we make 94% of our sales physically and 6% digitally. I find that interesting.

Laura Seegers: Would you say that due to the cost structure of these stores, it's likely that we will see smaller stores in more specific locations? Or do you think this won't really change?

Didi Axt: We're currently shifting in the market. We're transitioning from a landlord to a tenant market. There are many vacancies now, due to the closure of Galeria in some cases,

and Esprit's insolvencies. We have a lot of space available. Rents were often too high. You can now negotiate differently with shopping center operators. It's about always finding the ideal size. Ideally, a bit smaller and neatly presented. And then, it's also about how much was invested in the store before. Today, we prefer to create a relatively neutral stage where we can do a new shopping experience every week through the brand experience in the space. Wherever we are working on it, I am Bavaria's chairman of the shopping experience agency, how do I manage to get an interesting new look on the floor every week? I don't need the finest marble or anything like that. I create a clear stage that I can refresh repeatedly. Staff plays a much more significant role now. That means, it's about customer service in the highest sense. That's how you increase conversion rates. We know that we are seeing a loss in foot traffic. Fewer customers means I have to convert more into buyers. These are all things that happen at the point of sale. I can't do that online. Online, I convert about 1.3 to 2 times. In physical retail, I should be converting up to 15 times. It's possible if you do it well and continue to engage customers. I think customer service is essential, where we've saved too much in the past. Zara changes their store displays weekly. That means you always have a new look. You go in frequently because there's always something new to discover. They have a lot of product rotation. That's also part of the experience. It's like in a butcher shop – if the sausage is from last week, you don't go in. You need something fresh every week. The main wall is changed, and products are rotated to the back. They act quickly. They react quickly to trends. If ponchos are in style, they have them. That's the experience. Luxury stores like Breuninger in Düsseldorf hold 52 events per year – from champagne receptions for ladies to boats in the entrance area. A good product display with rotating stock and new items is also part of the shopping experience. At this price range, it's important that you don't just come once a month, ideally, you should visit 3 or 4 times.

Laura Seegers: Do you think it's easier to build brand equity through experiences in physical stores or through online platforms? And why?

Didi Axt: Brand equity doesn't really come from the store itself. The store or digital space is the output of what the brand equity is. The question is always, what does the brand stand for? If a company is very digital, it's probably better to showcase that digitally. But I believe it's neither about physical nor digital – it's about what the brand stands for. These values are defined and that's what determines how my store or my online shop looks. The brand itself doesn't have much to do with the store or digital channels. The brand has emerged from something and stands for something special. These values need to be transported and made tangible, both digitally and in-store.

Laura Seegers: And how do you ensure the brand maintains its characteristics, qualities, and image when transitioning from a physical to a digital space?

Didi Axt: That's about brand leadership. How do I manage my brand? What are the processes? Have I designed them consistently? That's really the job of the people responsible for it. This is also a problem today, where there are fewer entrepreneurs. Entrepreneurs think long-term, but most managers think short-term. They have a 3-year contract, do something for a while, and then move in a new direction. That's why you see so many shifts in many brands. That shouldn't happen. It should be about long-term planning, which is really about corporate leadership. That's where I want to go. Take Rimowa as an example. Rimowa was bought by Louis Vuitton. They simply kicked out 95% of the retailers. They reduced their sales to 10%. They could afford that because LVMH had enough capital behind them. They then relaunched it, going very selectively. You need to be able to afford that when your brand has slipped. I experienced this at Mustang myself. It then takes four to five years to implement that consistently. It's very exhausting, because shareholders and private equity firms expect profits. You have to explain to them why and how. I think it's been very successful, but it's

also very, very demanding. Because everyone is thinking "bigger, faster, further," short-term. But you have to say, no – bigger, faster, further, long-term. But step by step, consistently.

Future Trends

Laura Seegers: How do you see the role of physical stores evolving in the non-luxury fashion sector over the next few years?

Didi Axt: It will likely increase, but more in the multi-brand sector, if we return to that. This means brands like Wormland, which act as retail brands and curate multiple brands well. They say, this is perfect now: a jacket with a Polo Ralph Lauren shirt, Levi's jeans, shoes from... They practically do the pre-curation for the customer. This is the highest skill, but also the biggest opportunity, because, as I mentioned, brand loyalty is decreasing. This means the customer wants their look. Where do I give them that look, and how do I reach them? That's why mono-brands like Tom Taylor, etc., won't have it any easier in the future.

Laura Seegers: Do you think non-luxury brands will rely more on digital platforms in the future?

Didi Axt: No, because it's not economically feasible.

Concluding Questions

Laura Seegers: What do you think is the most important aspect of managing brand value in today's non-luxury fashion market?

Didi Axt: Still consistency. Consistency and value-for-money. The price-performance ratio – what do I stand for? No compromises on quality. Price is a challenge because it makes things seem cheaper. We talk a lot about sustainability, which is great, but no one wants to pay more for it. That has to be factored in; I need to do that. The industry has definitely improved, but we always think in terms of revolution, not evolution. I can't say, "Let's position everything as near-stock in Turkey." Turkey is already full to the brim. Of course, 70-80% still comes from Asia, and it must. Maybe closer, more from India, more from Bangladesh, more from

Vietnam, wherever, not from China. But I can't make these ad-hoc jumps. It simply doesn't work. There aren't the production facilities for that.

Laura Seegers: How do you plan to further improve the brand's image in physical spaces?

Didi Axt: It's always about living and making consistency tangible. It's all about the shopping experience. There should always be something to experience, something within the framework of my brand philosophy. And we must constantly work on that, keep engaging with it. Customer relations, bringing the customer on board, building customer loyalty, and involving them in the overall system.

Laura Seegers: So you'd say the same for digital spaces? That consistency is key?

Didi Axt: Always consistency. Consistency is key. That's the most important thing. It applies to all business actions. Only most people have forgotten that. Without consistency, there will be no long-term direction. You can see this clearly in digital, with Zalando. Their brand values are bought through heavy marketing. If they stop marketing, their brand recognition will automatically decrease. It's really a full-speed model, and when they ease off, everything collapses. They may have good quarterly figures, but when you look at their balance sheet, you can see exactly that they spent less on marketing, which is why they had a good result for once. It's easy to spot.