A Channel Approach to Fashion

Bachelor Thesis within Business Administration

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Abstract

Title A Channel Approach to Fashion

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Background – Previous research has evaluated different distribution systems and channels that companies operate through. However, research primarily has focused on the richness of online channels rather than the value of physical stores. The following report will examine the reasons and implications underlying the choice of channel strategy.

Purpose – The purpose of this thesis is to examine the reason why companies within the fashion and apparel industry, operating in Sweden, choose to operate through a certain market channel strategy. The thesis aims to evaluate four types of market channel strategies with the help of case companies.

Method – A qualitative approach to the research has been chosen which consists of a case study including four companies representing different channel strategies. Data collection for the analysis where conducted through interviews with persons having vital positions within one of the four companies.

Results and Discussion – The case companies ASOS, Bubbleroom, Cubus and Dressmann each represent one of the chosen market channels. The interviews presented in the results section implied that the companies chosen channel was more appropriate for the market they operated in as well as the target group they were aiming to reach.

Conclusion – Even though research states that today’s society is moving away from the physical store market channel, this study proved that one single strategy is not appropriate for all businesses. A company will have to research their target market before appropriately selecting a channel strategy.

Keywords – Market Channel Strategies, Online Stores, Physical Stores, Consumer Behavior, Apparel Industry, Multiple Channel Strategy, Internet
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1. Introduction

Section one introduces the topic that will be studied in this thesis. A background of the topic will be presented, as well as the specification of the problem and purpose. A definition section is provided to clarify concepts that will be used throughout the thesis.

The following report will examine the reasons and insinuations behind the choice of channel strategy for a company operating within the Swedish fashion industry. There are many approaches a company can take when choosing an appropriate channel strategy. This paper aims to evaluate these strategies and reach a conclusion on whether there is a strategy that is to be preferred for a company in the fashion industry, in order to create a better outcome.

Fashion is a concept invented long before today’s generation was born. Even so, the meaning of the term has changed significantly throughout the years. New types of fashion, such as fast fashion, have been introduced to the industry. Not only has the concept changed, but the circumstances behind the concept. As the internet was introduced and explored, it came with new opportunities. Opportunities such as online shops and showrooms were discovered and utilized by companies who used to solely operate through Brick and Mortar stores. A new generation of the fashion industry was born: a multi-channel approach to fashion. Soon new designers and brands arose whom chose to operate business through online stores only.

The research area is found to be interesting and current. Throughout the previous years, companies started realizing the benefits of going online (Cai, Shen & Guo, 2012). Nowadays, it seems be a requirement to attain an online strategy in order for a company to be successful. Contradictory, it has been noticed that a new trend amongst online-based companies is to open physical stores. The fundamental reason behind this trend is thought to have grounds in several motives. Such motives may be clientele preferences, market share, branding, affordability, as well as demographical and geographical aspects. This paper aims to explore different cases in order to gain a more thorough understanding of why a company would chose a certain channel approach for their organization, as well as why some companies choose to neglect certain strategies.

1.1 Background

The importance of obtaining online presence within the apparel industry has been discussed by Schoenbachler and Gordon (2002). Traditional companies that chose to operate solely through physical stores risk to be left behind by competitors (Schoenbachler & Gordon, 2002). However, there still seems to be reasons to operate through physical stores. For instance, due to the fact that physical stores can create trust towards a company’s online channel (Kuan & Bock, 2007).
Previous research has evaluated different distribution systems and channels that companies operate through. However, research has been focusing primarily on the richness of online channels rather than the value of physical stores. For instance, Alba and Lynch (1997) discuss the customer’s implications to purchase products online. They assumed that new-term technology would offer customers the ability to compare and locate product offerings online. Accordingly, they sought the implication for an industry to operate online, due to the fact that such an opportunity creates competition among manufacturers and retailers (Alba & Lynch, 1997).

Schoenbachler and Gordon (2002) analyze what drives consumers to a single channel or multiple channels. Traditional companies who choose to stick with a single channel strategy risk to be left behind by new companies operating through multiple channels. Schoenbachler and Gordon (2002) also discuss that the decision process and implementation of a multi-channel strategy could be simplified if the company understood what drives the customer to a single channel or multiple channels. Further they examined why certain channels are preferred (Schoenbachler & Gordon, 2002). Thus, a consumer-centric view, rather than a view that focuses on the challenges specifically related to a channel, is preferred.

There have been attempts to analyze and predict online purchase intentions for apparel. Kim and Kim (2004) identify the predictions of the intention to buy apparel and accessories based on online shopping attributes and demographic variables. These variables are: transaction/cost, incentive programs, site design, and interactivity. These attributes are important predictors in determining the intention to purchase clothing and accessories online (Kim & Kim, 2004).

A vast majority of the historical research available today touches upon the implications and predictions of customer’s online purchasing behavior. However, there seems to be a lack of research regarding the customer demand of physical stores and why online businesses choose to go store-based.

1.1.1 Definitions

In order to facilitate the understanding of this report, the following section will define essential concepts related to the subject of channel strategies.

The **Brick and Mortar** concept attempts to explain the traditional business that deals with its customers face-to-face in its office or store (Bernstein, Song & Zheng, 2008).

The **Click and Brick** concept refers to a combination of the traditional “Brick and Mortar” business and online establishments. Click and Brick retailers work by exploiting both offline and online presence (Kuan & Bock, 2007).
**Consumer buying behavior** is defined as the collective actions taken by consumers in order to decide which goods and services hold the most value for meeting their wants and needs. This includes the searching, evaluation, selection, purchasing, consuming and disposing of goods and services (Szmigin, 2003).

**Marketing channels** can be defined as the process of providing a positive experience for a company’s customers, from creating the product to marketing it, to the actual sale (Gundlach, Bolumole, Eltantawy & Frankel, 2006).

**Multi-channel retailing strategy** refers to when a firm interacts with different segments of the customer base through different channels. In a multi-channel strategy, customers can use alternative channels to reach the departments within the firm at their discretion, and they may choose different channels at different times (Rangaswamy, Van Bruggen, 2005).

**Product life cycle (PLC)** is a process used to map out the different stages a commercial product goes through during its lifespan, from introduction to decline (Calantone, Yeniyurt, Townsend & Schmidt, 2010).

### 1.2 Problem statement

Companies face a challenge when choosing an appropriate channel strategy, trying to meet both customer demands as well as trying to meet the increase in competitiveness within the apparel industry.

#### 1.2.1 Specification of Problem

The problem stated above is formulated to explore different ways a company within the apparel industry reaches its customer segment. It also aims to identify which channel companies chose to operate through, as well as the underlying reasons for their choice. Furthermore, this report aims to explore why some companies choose to solely operate through online stores, while other physical stores choose to go online. It seems that many online stores choose to expand through opening physical stores, which appears to be a relatively new trend among companies within the apparel industry. The last area to be explored in this research study is why some companies choose to remain in business purely through physical stores.
Looking at the problem stated above, companies that operate with a Click to Brick strategy tend to be seen as a rather new phenomenon. This research paper also aims to explore the most effective strategy, why that is, and why or why not a company would choose a multi-channel approach. Aspects that can affect the efficiency of which channel to operate through are the companies’ target groups, price level of the products, localization, type of products etc. It is important for a company within the fashion industry, looking to expand, to know which way of expansion will be more appropriate for their company. This will be a rather post-modern perspective, as much of the research found today is solely on the value of expanding through online stores, rather than the value of physical stores.

As a result of the high level of technology available today, companies seem to choose to operate online in order to go international, reach a larger market share, or cut down on personnel. However, people tend to put less attention into the personal customer contact and relationship a physical store can bring. It is found to be an interesting problem since it sheds light on the phenomenon of online businesses from a different angle.

An analysis of four case companies will be done in order to examine the reasons behind choices of channel strategy. These companies correspond to four categories: the company that operates solely online, the company that operates solely through physical stores, the company that started out operating solely through physical stores but went online and the company that operated solely online and later expanded through physical stores.

1.3 Purpose

The purpose of this thesis is to examine the reason why companies within the fashion and apparel industry, operating in Sweden, choose to operate through a certain market channel strategy. The thesis aims to evaluate four types of market channel strategies with the help of case companies.

1.4 Research Questions

- What are the critical aspects related to a company’s choice of channel strategy?
- Why do some companies within the apparel industry neglect certain strategic channels?
2. Theoretical framework

The following section presents theoretical findings to answer and respond to given research questions. The framework also aims to introduce and describes the theory that explains how the research problem under study exists. In addition, an introduction and theory to the cases under study are provided.

2.1 Introducing the World of Fashion

The fashion industry is an ever-changing market, which alters from year to year and looks completely different today than it did ten years ago (MacKenzie, Meyer & Noble, 2013). The process, including the consumer purchasing decision process and shopping experience, are changing at a constant pace as well. The industry is expected to change even more during the coming five years than it has during the past decade (MacKenzie et al., 2013).

It is believed that the industry is moving away from the Brick and Mortar concept and that the presence of physical stores will be extinct altogether in a few years. Even though that may not be the case, changes to this industry are inevitable (MacKenzie et al., 2013).

Small businesses are being wiped out due to larger companies, such as Wal-Mart, establishing and expanding their market share, the so-called “Wal-Mart Effect” (Goldman & Cleeland, 2003). Many industries are characterized by economies of scale, which explains that production is more efficient the larger the scale of the production is. An industry has economies of scale when a doubling of the input to the industry will more than double the outcome of the production (Krugman, Melitz & Obstfeld, 2012).

One could ultimately say that there is a world of fashion, which every person is a part of, since every person has a need for apparel (Johnson & Yurchisin, 2010).

2.1.1 The Concept of Fashion

There are several definitions of the concept of fashion. The definition appears to have changed throughout the course of history. In the following section, examples of definitions are provided.

Oscar Wilde described it as “Fashion is a form of ugliness so intolerable we have to alter it every six months” (Seivewright, 2012, p. 110).

“Fashion is about change and about challenging what has gone before; it is about leading and not following; you should never feel that you cannot achieve your goals or push your design vision into the world” (Seivewright, 2012, p. 167).

One can argue that apparel is a personal way of displaying how a person adapts to a culture and what part of the culture they relate to. Such a statement includes strong standards about appearances at that point in time (Crane, 2000).
Contrary to just producing apparel, the fashion within the industry is about creating ideas (Hauge, Malmberg & Power, 2009).

The term fashion should be differentiated from the term fashion industry. Fashion is mostly about materials, garments and accessories, while the fashion industry can be distinguished and detached from the materials. High-cost countries are likely to choose an outsourcing strategy and produce in a low-cost country (Hauge et al., 2009).

### 2.1.2 History of the Fashion Industry

The fashion industry has transformed from an actor simply influenced solely by the local market to a global market steered by the thirst for power (Hauge et al., 2009). Fashion is a rather multifaceted spectacle created by not one, but rather several actors (Polesea & Blaszczyk, 2012). Leading up to World War I, it was shown that creative marketing is necessary for such market as the apparel industry (Polesea & Blaszczyk, 2012). Fashion has evolved from a basic human necessity to many options of apparel, designed with countless fabrics and materials (Yuksel, 2012). The documentation of the history of fashion has been lacking during the past, however is intended to improve in the future (Polesea & Blaszczyk, 2012).

### 2.1.3 The Swedish Fashion Market

During the course of the recent years, the Swedish fashion industry has evolved into a significant player within the fashion export market (Hauge, et al., 2009). Even though the Swedish market is small compared to many of the key players in fashion such as the fashion capitals Paris, New York and London, Sweden has successfully launched high-end as well as everyday retailers (Hauge, et al., 2009).

Sweden outsources much of its apparel production to low-cost countries (Hauge, et al., 2009). Thus, the main focus area for the Swedish fashion industry lies within design, retail and marketing (Hauge, et al., 2009).

### 2.1.4 Fast fashion

Fast fashion has become a key concept for the fashion industry and was initially regarded as a niche concept offered by a few key players such as Zara and H&M (Barnes & Lea-Greenwood, 2010). “Fast fashion is a business strategy which aims to reduce the process involved in the buying cycle and lead times for getting new fashion product into stores, in order to satisfy consumers’ demand at its peak” (Barnes & Lea-Greenwood, 2010, p. 259).

Trends follow the path of the product life cycle and have a limited time on the marketplace. The product life cycle of fashion has decreased from months to weeks and even days over time (Bruce & Barnes, 2005). “Short life-cycle product markets are characterized by frequent entries and rapid markets exit; they are associated with unique marketing strategies and tactics” (Calantone et al., 2010, p. 352).
In such dynamic markets, products may not necessarily gather advantages from an initial point and may be deprived by partial defensive opportunities against competitors entering at a later point in time, since the reaction time is extremely limited (Calantone et al., 2010).

From the pressure of fast fashion, store managers meet difficulties getting the new products out to the store due to the high frequency of deliveries, and the volume causes by a wide range of products (Lea-Greenwood, 2009).

Calantone et al. (2010) indicate the importance of cost minimization throughout the supply chain in order to be able to compete on the apparel market and maximize value. The decision of when to launch new products is among the most significant issues managers face when formulating new product strategies, especially for those products with a short life cycle (Calantone et al., 2010).

Companies working with apparel products seem to be required to follow the trends of the seasons, which again means that products launched for the summer collection might have a product life cycle time of about two to four months. However, if companies meet any unexpected problems throughout the supply chain, it might result in the product launching too late and the product will decline immediately (Calantone et al., 2010).

2.2 Consumers Buying Behavior and Environmental Factors

Consumers buying behavior refers to the mindset of the customer, how the customer feels and selects among alternative products and brands, and also how internal and external factors can affect their decisions (Babu, Vani & Panchanatham, 2010).

Further Solomon, Bamossy, Askegaard, and Hogg (2013) argue that the consumption process consists of three issues:

(1) Pre-purchase issues
   I. Consumer’s perspective: How do the consumers decide that they need the product? What are the best sources of information?
   II. Marketer’s perspective: What cues do consumers use to infer which products are superior to others?

(2) Purchase issue
   I. Consumer’s perspective: Is acquiring a product a stressful or pleasant experience?
   II. Marketer’s perspective: How do situational factors, such as time pressure or store displays, affect the consumer’s purchase decision?

(3) Post-Purchase issue
   I. Consumer’s perspective: Does the product provide pleasure or perform its intended function?
II. Marketer’s perspective: What determines whether a customer will buy from the store again? Does the customer tell others about his/her experience?

When addressing this process from the apparel retail perspective, there are different factors that can affect the consumer in their options, both online and in physical stores (Babu et al., 2010). Solomon et al. (2013) argues that making a purchase is often not a simple routine matter where you just enter a store and make a choice.

Research has focused on the personal characteristics, including impulse buying tendency and situational factors, such as money and time available. Moreover, the type of product and the price is relevant for how complicated the consumption process appears to be (Mohan, Sivakumaran, & Sharma, 2013).

When impulsive buying is relevant, the consumers do not follow the typical step of researching and evaluating alternatives, but goes directly to the purchasing phase. Especially in an impulse buying situation, Solomon et al. (2013) argue that the physical environment can contribute to the way a customer feels at a specific point in time. The customer’s experience will affect what they want to do or buy (Solomon et al., 2013).

Research has shown how human behavior is strongly affected by the atmosphere and that environmental stimulus is an important marketing tool for the company (Kotler, 1973). Barnes and Lea-Greenwood (2010) argues that the retail environment is a combination of physical, emotional, tangible and intangible attributes. Physical and tangible attributes are referred to as overall store design, layout and decoration. While intangible attributes are image, branding and ambience (Barnes & Lea-Greenwood, 2010). In physical stores, Solomon et al. (2013) state that customers engage in unplanned buying when they are introduced to a store layout that is unfamiliar, are under time pressure or see an item on a store shelf. About one-third of all unplanned buying occurs when a shopper recognizes a new need while in the store (Solomon et al., 2013).

When examining the online retail market, there is an importance in website design, uploading time and interesting content. Consumers are facing many obstacles due to lack of environmental stimuli that may affect them from purchasing online. Some of these factors include not being able to try the apparel on, see and feel the quality before buying the product, return items to a physical store, or get help from personnel (Costa, 2010). These factors can retract the consumers from buying products online since the product shown online may vary to that in reality. Apparel shopping is therefore known to have a high level of product risks (Tagg & Kawaf, 2012).
Tagg and Kawaf (2012) suggest that stimuli similar to what have been done within traditional retail stores can be done with the help of technology. Barnes and Lea-Greenwood (2010) suggested that online tools such as image zooming, catwalk videos and 360 degree rotation increases the enjoyment of shopping online and reduces perceived risks. Sojung and Matthew (2011) argue that the online shopping environment is different from traditional retail stores, since a website serves as a retailer as well as a mean for delivering product information and product experience.

2.3 Typology of Online Shoppers and In-Store Shoppers

A shopper’s typology is a system used for classifying consumers into groups according to their similarities - the study of how matters can be divided into different types (Ganesh, Reynolds, Luckett, & Pomirleanu, 2010).

The typology of online shoppers is constantly changing as a result of the growing online market and new generations’ vast experience with technology. Earlier research states that online shoppers demand more product information and product variety, as well as personalized or specialized products compared to the traditional shopper (Burke, 1997).

It is also believed that online shoppers are not strongly motivated to shop for fun or recreation (Li, Cheng, & Russell, 1999). Even so, research shows that today's online shoppers are rather similar to the traditional shopper in terms of shopping motivations and importance of store attributes. Sojung and Matthew (2011) argue that both utilitarian and hedonic aspects are considered to relate to consumer acceptance of online shopping, and that both elements are equally important. Utilitarian refers to the easy to use concept while hedonic refers to the enjoyment concept (Sojung & Matthew, 2011).

Sojung and Matthew (2011) claims that there is two types of shoppers both in-store and online: utilitarian consumer - those with a specific goal, and hedonic consumers - those who enjoy the act of shopping itself. Online, utilitarian consumers directly seek the most relevant information about a brand or a product category they are interested in. Hedonic consumers tend to explore websites as they would explore shops in a traditional shopping mall. These shoppers are seeking exposure to various shopping stimulations and are more likely to make more frequent and longer visits to websites (Sojung & Matthew, 2011). Further, Solomon et al. (2013) claim that online shoppers value the ability to click on an item to create a pop-up window with more details about the products including; price, size, colors, and inventory availability.
2.4 Safety and Trust

Even though the number of online shoppers is growing, there is a large amount of customers who feel distrust towards sending their personal and financial information over the web. Compared to physical stores, consumers estimate higher risk in online shopping (Hsieha & Tsaob, 2012). Horrigan (2008) states that if people felt more confident in sending personal information online, online shoppers would increase significantly. Moreover, it was found that those who live in a low-income household are more likely to perceive a lack of trust in sending their financial and personal information online (Horrigan, 2008). Furthermore, such statement has been supported by Hernández, José, Martin and Jiménez (2011) who states that high-income users perceive lower risk in pursuing online purchases. Moreover, it is found that self-efficacy and usefulness of internet improves with rising income, since such target group can overcome financial losses (Hernández et al., 2011).

Many consumers do not trust online businesses enough to reveal personal or financial information. Trust is seen to be a short-term issue, but is also the most important long-term barrier for companies to utilize the full potential of e-commerce to consumers (Grabner-Kraeuter, 2002).

Former legislative actions have focused on privacy and security issues in order to regulate e-commerce related to the customer by requiring specific privacy and security practices (Fernandez & Miyazaki, 2001). Further, they argued that changes in online retailer practices that were supposed to be more customer-friendly would build confidence and decrease the perceived risk among online shoppers. Internet shoppers themselves agree that security and privacy is a truly relevant issue. It is found that both those who have made online transactions, and those who have not, worry about their private information and its security (Fernandez & Miyazaki, 2001).

Online companies should aim to provide information on their webpage that will increase the perceived trust for the customer. Online retailers should focus on providing its customers with concise privacy and security policies, in order to ensure trustworthiness (Benedicktus, Brady, Darke, & Voorhees, 2010). Further research in the context of online retail proves that perceived risk can be reduced by having more information available to consumers (Kim, Kim & Lennon, 2006). Consequently, the customer can benefit from more non-sensory information that they cannot find in a physical store (Park & Stoel, 2002).

According to Hsieha and Tsaob (2012), a crucial finding is the correlation between e-service quality and perceived risk. If a company succeed in delivering high quality service, customers are more likely to feel trusting towards the company. Factors such as strong commitment to consumers, efficiency, website availability, compensation and contact, are brought up as important methods of reducing the perceived risk by customers (Hsieha & Tsaob, 2012).
E-service can be defined as “the consumers’ overall evaluation and judgment of the excellence and quality of e-service offerings in the virtual market place” (Kim et al., 2006, p. 53). Evidence shows that more than 60 percent of online shoppers chose to exit their buying process prior to completing due to lack of trust and product information. Given this information, the importance of customer service is proven to be essential in order to create loyalty (Kim et al., 2006).

2.5 Branding

“The brand is the organization’s principal asset and the core business activity, which should be developed on a corporate basis, involving all members of the organization, particularly in terms of offering employee and stakeholder focus and external coherence and conformity.” (McColl & Moore, 2011, p.92)

When a clothing company choose its brand personality, it is considered to be essential to determine its target market, in order to deeper understand consumers’ preferences of the given target market. It is crucial to analyze the motivation factors and expectations of the chosen customer segment. Such data collection enables a company to determine their brand personality based on the customer’s ideal identity expectations (Mahmutoglu Dinc, Ozipek & Tanyas, 2012).

Brands are considered to exist in order to permit buyers to distinguish between the products made by different sellers. Such distinction would allow the consumer to experience and notice which manufacturer performs best (Hirschman & Woodside, 2010).

Research highlights the importance for a retailer to create and develop its own brand strategy. A company’s brand strategy is most often directly related to the corporate brand image. Having a brand enables a company to control its growth strategy, strengthen retailer positioning as well as it offers opportunities to develop market power (McColl & Moore, 2011).

Consumers often use indicators such as a brand name as a basis for their choice of product. Strong brands successfully influence the customer’s purchase decision (Benedicktus et al., 2010). Moreover, research states that a well-known and strong brand creates trustworthiness for the consumer, thus serves as a reliance of quality when the customer may not be able to examine, see and touch the product directly. However, relatively unknown brands that are limited to its consensus information are considered to benefit from a physical presence. Accordingly, firms with a low level of consensus information increase its potential brand familiarity when operating with a physical presence (Benedicktus et al., 2010).
2.6 Online Stores

Online retail is rapidly growing and it is taking place at a higher level of evolution today than it did in the initial years of e-commerce (Heinemann & Schwarzl, 2010). The rapid development of commercial web sites shows the importance of this cost-efficient tool for companies to be present in a global marketplace (Williams, 2007). One of the most prominent reasons why companies within the apparel industry chose to operate online is the possibility to encourage a deep and enduring relationship between the customer and the firm (Tsai & Pai, 2012). Due to the intense competition among online retailers today, understanding the key factors of what drives the customer to shop online is increasingly important. Effectively managing customer satisfaction is a critical aspect that is crucial for sustainable growth in an online business. Gaining full understanding for customers and their different characteristics enables the company to monitor and improve its e-store in order to maximize performance (Ha & Stoel, 2012).

McCormick and Livett (2012) argue that a greater level of interactive involvement with an apparel product online provokes greater levels of attraction for the fashion-forward individuals, as it is a catalyst of higher levels of communication and reduces perceived risks. Further, Barnes and Lea-Greenwood (2010) suggested that this could be achieved by offering online tools such as image zooming, catwalk videos and 360 degrees rotation to increases the enjoyment of shopping online.

Companies aim to interact with their customers to a high extent today. This is evident through the way the firm includes the customer in the buying process. Such an interaction can be seen in the form of feedback and friend recommendations, which are components of a social community that companies often try to build on the internet (Heinemann & Schwarzl, 2010). There are some negative aspects related to online communities, such as the hidden cost of firms’ online communities. When companies are trying to involve their customers in the firm’s online community, they might unconsciously boost customer’s power, which lowers the firms’ authority. Encouraging participation in social communities tends to motivate the customer to integrate themselves into the community. Eventually, such behavior will strengthen the customer’s perceptions that the brand provider is legitimate (Tsai & Pai, 2012). From an online retailer’s perspective, an online community creates a supportive environment where customers can share their experiences and expectations (Tsai & Pai, 2012). It also enables the company to start building a relationship by sending follow-up emails to confirm the transaction and thank the customer (Parmar, 2014).

The global reach that the internet enables makes it an ideal tool for international business that goes beyond traditional business channels in an information society. With the growing use of the internet as an information portal and the shift of social relationships to the web, the revenue in online retailing is rapidly growing (Heinemann & Schwarzl, 2010).
Moreover, the exchange of knowledge and experience between vendors and customers enables further improvements and innovations. Thus, existing barriers to internet usage can be overcome due to the development of the internet (Heinemann & Schwarzl, 2010). A further reason behind a company’s decision to operate online is that such a strategy tends to be cost-efficient. An online business does not have the recurring costs of property rental and maintenance. Neither does it have to purchase stock for display in-store. When running an online business, it is possible to order stock in line with demand, which keeps inventory costs low (Parmar, 2014).

Online retail is the fastest form of retail, both in terms of handling and shipping the products. This may be challenging for companies who are not used to such a high speed in their seasonal and routinized processes (Heinemann & Schwarzl, 2010).

2.7 Physical Stores

Researchers have found that multi-channel businesses are significantly more profitable than single-channel businesses. Despite this information, some companies choose to operate solely offline (Cai, Shen & Guo, 2012).

The traditional retail businesses that operate through solely physical stores face a specific challenge regarding the channel conflict and growing demand of online sales (Gordon & Schoenbachler, 2002). Some companies choose to solely operate with physical stores, since the new technology can be a complex and time consuming tool to learn. The online market would be preferable to compete in (Burke, 2002).

Operating solely with physical stores comes with benefits. For instance, it increases the advantage of personnel assistance, it is perceived as less risky and the customer is able to feel the fabrics and try the apparel on. Moreover, the customer tends to feel trust with the payment methods. Due to these factors, there is an increased chance for customer satisfaction in a physical store compared to online stores (Gordon & Schoenbachler, 2002). Physical stores gives suggestions of trust that is absent and lacking in online stores (Benedictus et al., 2010).

It is found that cognitive attributes are more prominent offline than online. Cognitive attributes can be defined as characteristics of a store that help the customer to fulfill its shopping goals. Some examples can be product assortment, pricing level and quality of the merchandise. Researchers propose that there is a positive relationship between customers’ intentions to shop online and cognitive attributes (Cai, Shen & Guo, 2012).

A further aspect that influences an offline shopper positively is known to be affective attributes. The phenomenon can be defined as an experiential and/or emotional characteristic of a store that motivates the customer to shop. It can also be seen as psychological benefits that stimulate repeat purchase, which brings confidence, autonomy and privilege to the customer (Cai, Shen & Guo, 2012).
2.8 Online Stores, Going Physical

Companies seek to make it easier for their customers to do business with the company. Thus, companies aim to improve and establish channels that provide the customer with a suitable set of choices. Channel innovation occurs when companies successfully attract customers by pioneering new channels in order to satisfy unmet customer demand. Online retailer have during previous years been losing market share to companies who are utilizing a Click and Brick channel strategy (Benedicktus et al., 2010). Due to the fact that companies aim to create choices for their customers, the Click to Brick concept has become popular. Many strategists realize that the best asset for an online company is to establish offline operations as well. The solution to maximize potential for both channels is to wave them together carefully, in order to enable customers to consume anytime and anywhere. Many firms choose to adopt this strategy, since it is well known that customers want to touch and feel the product (Robinson & Kalakota, 1999).

It is known that online companies started going offline at a slow pace by shipping merchandise to lockers, which enables customers to pick up the product at their convenience. A men’s apparel brand, took this activity one step further. They went from being solely online, to opening a physical store without stock. About half their customer segment wanted to touch and feel the merchandise before buying it online. The solution became to open up showrooms where customers could feel and see the product (Chan, 2013).

The construction and maintenance of customer loyalty has become a central focus in creating sustainable competitive advantages. The concept of traditional marketing obtains benefits that are diminished in an online business. Furthermore, the creation of strong brand loyalty gives the ability to set premium prices, comes with a greater bargaining power with distribution channels, is a strong barrier to potential new entries and traditional marketing also has synergistic advantages of brand extensions (Gommans, Krishnan, & Scheffold, 2001).

2.9 Physical Stores, Going Online

Firms that choose to start their operations with physical stores in order to establish online operations later on face an advantage over firms that operate solely online. They tend to have greater access to their products, stronger relationships with vendors and stronger brand recognition as well as a presence of a long-term customer base (Ko & Roztocki, 2009). A physical association to a brand is seen to create more trustworthiness for the company, and its customers are therefore more likely to go online to purchase a product from their store (Benedicktus et al., 2010).
The online community has significantly grown in recent years. An online store allows consumers to avoid the extra costs of time as well as transportation to visit a physical store (Tojo & Matsubayashi, 2011). Nevertheless, the target groups of the online stores and the physical stores may vary, where customers of online stores may reach a larger geographical area than the physical stores. This allows even the smaller stores to reach a larger clientele (Tojo & Matsubayashi, 2011).

There are various benefits across channels once a company develops management that avoids conflicts and encourages profit. It is argued that a motive for a store-based company to establish online operations is the labor that stores accrue when customers search for products online, conduct research, order the product and pay for it online. The whole process is carried out without the help of an employee (Bidgoli, 2004).

Moreover, online stores have the advantage to present an almost limitless inventory. Therefore, if a customer is searching for a pair of unusually sized shoes, it is more likely that they are available online than in a physical store (Browne, Durrett, & Whetherbe, 2004).

Companies that plan to pursue an online store should be aware of the fact that an online channel is intangible. Managers should be open for such an intangible benefit, and not evaluate it on online-only profitability. It is of importance that everyone in the company is aware of the targeted group in order to avoid channel conflict. A manager needs to set up a goal that intends to involve already existing employees. This is due to that they may otherwise feel threatened by changes in the organization (Preissl, Steinfield, & Bouwman, 2004).

Retail businesses after the Industrial Revolution faced a challenge with a potential impact from the Internet that is not encountered in the business model (Gordon & Schoenbachler, 2002). This could even be relevant today due to the fact that internet users have grown tremendously over the last years, and are still growing (Worldbank, 2014). The change might be an increase in the importance of the multiple channel strategy, for companies to offer products through one or more channel to customers.

Gordon & Schoenbachler (2002) argue that retailers should be indifferent as to what channel customers prefer, and that customers preferring to purchase products in a physical store should not be forced towards buying online and the same for the other way around.
2.10 Summary Theoretical Framework

The concept of fashion has several definitions and numerous approaches. The theoretical framework focused on four channel approaches to the fashion industry, namely: an online marketing channel; a Click to Brick marketing channel, where online stores choose to expand to the physical store market; the Brick and Mortar marketing channel, where a brand operates solely through physical stores; and lastly, the physical stores that choose to go to an online marketing channel. There are many important factors to be considered when selecting an appropriate channel strategy for a business. Such factors can are influenced by a consumer’s behavior, the brand recognition, safety and trust as well as what segment of the market a business desires to operate within. The model below shows the segments studied throughout the thesis.
3. Methodology

Section three will introduce and present the methodology utilized to gather the theoretical framework for this thesis. Furthermore, the section will discuss trustworthiness and introduce the methods of conducting interviews.

A method is a way of choosing an appropriate inquiry for one’s research (Pansiri, 2009). Thus, this section needs to include the ideas and methods behind the process of gathering information for the thesis.

The idea behind which sources to use, what processes used, as well as their importance, has become clearer. The thesis will be based on a combination of primary and secondary sources. Primary sources or primary data are data that has been explicitly collected for the purpose of answering the problem statement at hand (Dahlqvist, 2003). Secondary data, or secondary sources, is data that has originally been collected for the purpose of another study, yet may be applicable towards the current research question (Dahlqvist, 2003). The primary sources relevant for this thesis will be interviews with the different companies chosen for each case study. These companies will represent four categories: companies that operate solely online, solely through physical stores, through physical stores but that went online, and finally companies that operate online went physical. Four case studies are chosen in order to increase the external validity in the research paper. The theoretical framework for secondary data will be more thorough, as there will be a need to gather individual information on the companies chosen for the case studies. This will include the reasoning behind their chosen market approaches and structures they currently use, as well as potential future expansion.

The data collection process will be constructed to exploit the sources thoroughly and the research will be both current, relevant, and invite further examination.

In order to interpret a company’s motivation and reasons to go online, we aim to use academic articles that were conducted in the early twentieth century, due to the relevance of the subject then. However, when analyzing current trends and predictions, less formal sources will be used, since there is little research done in the area.

3.1 Qualitative versus Quantitative

Quantitative research refers to the systematic empirical investigation of social phenomena via statistical, mathematical or numerical data or computational techniques (Given, 2008). Qualitative researchers aim to gather an in-depth understanding of human behavior and the reasons that govern such behavior. The qualitative method investigates the why and how of decision making, not just what, where, and when (Creswell, 2003). Since this paper conducts an exploratory study, the choice has been for primary qualitative resource method. By addressing a qualitative method, an analysis of individual case studies for each of the four segments will be conducted.
The segments refer to the different strategies companies chose when selling their products. Thus, the cases will be applicable for the segments, but also used for a comparative analysis of each part.

The comparative analysis will be done on equal grounds, meaning similar data will be gathered for each of the cases, which is important in order for the analysis to be as accurate as possible. The aim is to find relevant primary as well as secondary sources for all four cases. It will be crucial to analyze the aspect of consumer behavior within the fashion industry, as well as differentiating online and physical stores consumer behavior. This will be done by using already-published articles as well as appropriate questions brought up during the interviews and case studies. A collection of academic articles will be gathered from both Google Scholar and the online library of Jönköping University. Sufficient data is being collected in order to let someone else make use of or replicate the study.

3.2 Deductive versus Inductive

When constructing a thesis, there are two main ways to approach the research. Either the study is conducted in a deductive or an inductive manner. The difference between the two methods lies in that a deductive approach starts out with gathering a substantial amount of research in order to later be able to narrow one’s research into a more specific problem. It is called a “top-down” approach where the researcher uses a form of tunnel approach, starting out broad and narrowing it as more knowledge and research is assembled. Furthermore, a process of several steps is established to each of the conclusions. The mentioned steps are conducted in the following order; theory, hypothesis, observation, and confirmation (Trochim, 2006).

An inductive research approach follows an opposite structure from the deductive. Thus, it starts with a specific conclusion or observation and moves towards a more generalized viewpoint. The process is conducted through the following steps; observation, pattern, tentative hypothesis, and theory (Trochim, 2006).

The gathering of research for this paper was conducted mostly through a deductive approach. The researchers started out with a general question and worked through the previously mentioned steps with a deductive method in order to reach a specific solution. From the beginning, there was a theory of research that was to be done, a case study for which the researchers observed the findings in order to confirm the results and the theory.
3.3 Trustworthiness, Credibility, Dependability and Confirmability

Trustworthiness is seen to be a critical criterion for qualitative research (Lincoln & Guba 1985). Regular briefings with a group not involved in the study are recommended in order to ensure that the authors follow a red thread and view the problem with an impartial mindset (Flick, 2006). When conducting a study through qualitative research, the authors have to be considerate of the credibility of the facts and information gathered (Flick, 2006). The trustworthiness of the information provided by the case companies’ lies within the fact that organizations are determined to give out accurate information about their business. The group used peer reviewed articles as much as possible, in order to ensure credible information was used. A peer-reviewed article is subjected to the highest level of quality check, and thus is a reliable source (Costello, Michener, Gahegan, Zhang, & Bourne, 2013).

When gathering information, it is vital that each source used is analyzed and evaluated according to trustworthiness, credibility and dependability. Appropriate sources will also be assessed on confirmability.

Confirmability of a secondary source can be done through the use of a primary source (Flick, 2006). In this thesis, confirmability was reached through the use of interviews and case studies. However, when interviewing the four chosen case companies, there is a risk that the information is subjective and biased, which lowers the degree of dependability.

The collection of secondary data will consist of academic reports and books, which are considered trustworthy and credible sources. There is always a risk of misunderstanding and lack of understanding in a contextual meaning.

3.4 Case Study

The group decided that in order to validate their findings, case studies for the four selected research areas would be an appropriate choice of method.

Case studies are a vital form for examination of research within the social science field of study (Yin, 2003). The concept can be defined as a detailed study of observations made on essential information about an organization or an individual (Malhotra, Birks & Willis, 2010). The method is appropriate in varied situations. There are six different types of case studies that can be conducted based on what the researchers want to conclude with their study (Yin, 2003). The methods are divided into a matrix shape where the first order of business is to select either a single-company or a multi-company approach. After selecting one of the two, the authors will have to select a descriptive, exploratory or explanatory way of conducting the study (Yin, 2003). Dul and Hak (2008) further describe the concept of comparative case studies, meaning a selected number of cases scored and analyzed through a qualitative method. Furthermore, they sought the opportunity to utilize the case studies in order to bind the theoretical research to something practical.
3.4.1 Selecting a type of Case Study
When selecting the type of case study, the researchers will need to know what type of answers they are looking for (Yin, 2003). Some strategies may be more appropriate than others. A descriptive, multi-case design method was chosen for the research purpose of channel strategy approaches for the fashion industry. According to Dul and Hak (2008) the concept can also be described as a comparative case study. The descriptive method implies limiting the study by focusing on confirming details about the subject (Yin, 2003). The authors found this appropriate, as they were planning on studying companies with the help of interviews in order to verify already-stated facts, as well as find connections between the studied channels in order to answer the problem statement.

3.4.2 Selection of Companies
It was important to find a company representing each of the four channel strategies studied, in order to be able to conduct a comparative case study, as well as reach a proper result. The group decided that larger companies would be of most interest for the case study, as they would give a more general view of the market. Large companies are defined to have a net turnover over 80 million SEK (Bolagsverket, 2014). The chosen case companies all meet the criteria of being considered as a large company, and therefore are considered to obtain experience as well as being valid examples. Since the research is conducted on the smaller Scandinavian market, namely Sweden, it was important for the authors to find case companies that operated in Sweden, or preferably Sweden-based companies. The researchers started out brainstorming which companies that was of highest interest towards the topic. The author focused on contacting persons with a vital position within the company in order to get a viable response. Four companies were selected and will be presented more thoroughly in the next section. The companies were:

Sweden Based:
- Bubbleroom

Norwegian Based (operating in Sweden):
- Dressmann
- Cubus

UK Based (operating in Sweden):
- ASOS
The case companies each represented an examined channel strategy. The major reason for choosing Bubbleroom is due to the fact that the company changed its single channel-strategy towards a multi-channel strategy. Moreover, it is crucial to point out that both Cubus and Dressmann belong to the Varner group. These are two companies that have chosen to operate through different channel strategies and target different groups. Two apparel brands within the same group are considered to partake in similar resources in order to obtain a certain channel-strategy. It is particularly interesting to study these aspects and why the same parent company chose different channel-strategy approaches for their companies. Finally, ASOS was chosen due to their choice of a single channel-strategy where they operate solely online.

Even though some of the chosen companies do not originate from Sweden, they are all adapted to the Swedish market. Their prices as well as some of the companies’ marketing strategies are altered to convenience the Swedish consumer. This was important when selecting companies, as the study is conducted on the Swedish market.

3.5 Interviews

The case studies were carried out through one-on-one, in-depth interviews with the selected companies. The group tried to contact several companies within the studied industry; however, only a few companies ended up being available for interviews. In-depth interviews are personal interviews, where the interviewer is examining the fundamental reasons behind chosen strategies, motivations, and attitudes (Malhotra et al., 2010). There are numerous varieties of interview styles; however, the group utilized the Expert Interview while conducting their study. The expert interview style focuses less on the interviewee and more on the certain field he or she is an expert within (Flick, 2006). This gives the authors more information and verification on the research of channel strategies within the fashion industry.

The interviews were conducted by phone or via email. Since larger corporations were selected for the study, many interviewees did not have much time for an interview, and therefore the group allowed the interviewees to choose the preferred method by which the interview was conducted. The interviews were mainly conducted in Swedish and Norwegian as the case companies were from the Nordic countries. Further one interview was conducted in English due to the ASOS head office being located in the United Kingdom.
3.5.1 Questions for the Interviewees

The group chose a specific set of questions they found feasible and appropriate for the interviews and study conducted. The questions were altered some between the four categories studied. The following list is of the originally composed questions.

1. Are there any specific reasons behind your company’s choice in channel strategy? If yes, what are these?
2. Who are your target groups, and does this have any effect on your choice of channel strategy?
3. Does your company see a multi-channel strategy as a necessity within your field of operation?
4. Which are the most pertinent advantages/disadvantages with your company’s chosen strategy?
5. Are there any plans of exploiting and expanding a potential market which you are currently not present in?
6. Many of your competitors are operating through both e-commerce and physical stores. Do you rank these as more aggressive competition compared to the companies solely operating through one channel?
7. What led your company to the selected choice of channel strategy? Is there a history behind the decision? (Such as family business decision, rational decision et cetera).

<table>
<thead>
<tr>
<th>Interviewee</th>
<th>Company</th>
<th>Position within the company</th>
<th>Date</th>
<th>Interview type</th>
</tr>
</thead>
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<tr>
<td>Lauren Flynn</td>
<td>ASOS</td>
<td>Personal Assistant to the CFO</td>
<td>2014-May-07</td>
<td>Email</td>
</tr>
<tr>
<td>Siri Nordby</td>
<td>Dressmann</td>
<td>Market Communicator</td>
<td>2014-April-16</td>
<td>Email</td>
</tr>
<tr>
<td>Claire S. Sundt</td>
<td>Cubus</td>
<td>Project Manager for digital media at Varner Group</td>
<td>2014-April-24</td>
<td>Phone</td>
</tr>
<tr>
<td>Christian Resell</td>
<td>Bubbleroom</td>
<td>Vice President</td>
<td>2014-April-17</td>
<td>Phone</td>
</tr>
</tbody>
</table>
4. Results and Discussion

In section four, the findings from the research section will be presented. The information is based on the research findings and interviews conducted from companies that were chosen for the case study.

4.1 Case study

In conducting the case study, four different companies have been chosen in order to examine the reasons and implications behind the choice of channel strategy:

1. ASOS, operating with online stores.
2. Dressmann, operating solely with physical stores.
3. Bubbleroom, operating online and opened physical stores.
4. Cubus, operating with physical store and went online

4.1.1 ASOS - Online Store

ASOS was founded in 2001 and was initially created as an online shop where customers could buy products that were placed in movies, known as ‘As Seen on Screen.’ Lauren Flynn is the Personal Assistant to the CFO at ASOS (Flynn, personal communication, 2014-May-7). She explains how ASOS changed their strategy from “As Seen on Screen” to focusing solely on fashion and apparel. After the strategic change, the concept name ‘As Seen on Screen’ was replaced by ASOS. Their extensive editorial and social media content helped the company create brand awareness globally. Furthermore, their strategic position creates an emotional connection with the company’s customers beyond that of just transactional and commoditized (Lauren Flynn, personal communication 2014-May-7).

Researchers state that a well-known brand creates trustworthiness for the consumer. Furthermore, a strong brand serves as a reliance of the product when the customer may not be able to examine, see and touch the product in reality, which is the case of ASOS’s online store (Benedicktus et al., 2010).

ASOS has a substantial amount of customers around the world of which eighty percent are females and the majority is within the ages of 18-31 years old. Their target group is stated as “twenty-something” and Flynn (2014-May-7) explains that their customers typically consider fashion as a lifestyle. In addition, Heinemann and Schwarzl (2010) argue the importance of how the firm includes the customers in the buying process. Such an interaction can be in the form of feedback and friend recommendations, which are components of a social community that companies often try to build on the Internet. ASOS customers are constantly sharing, comparing, liking and validating their fashion choices with their social media peers. Social media has played an exceptionally important role in the success of ASOS. The company allows customers to share, speak and inspire each other, as well as ask for help, through social media.
ASOS’s target customer has grown up in the world of mobile connectivity; and they utilize a range of devices, several hours of the day. Therefore, these factors affect ASOS’s choice to trade solely online (Flynn, personal communication, 2014-May-7).

Tagg and Kawaf (2012) suggest that stimuli similar to the ones found within traditional retail stores can be created with the help of technology to meet the hedonic customer’s need of enjoyment. ASOS has succeeded in meeting this need by offering online tools. The company is focused on providing customers with interactive tools, such as image zooming, catwalk videos and 360 degrees rotation. Barnes and Lea-Greenwood (2010) suggest that this technology furthers enjoyment and reduces perceived risks.

Costa (2010) states that there is an existing risk of not being able to try the apparel on, feel the fabric or get help from personnel. However, since ASOS offers these online tools, they are more likely to attract customers that are critical towards purchasing online. Flynn further explained how the company is building an experience around fashion that is unique (Flynn, personal communication, 2014-May-7). ASOS offers an online environment that inspires their customers with the latest trends, looks, celebrity fashion, and online blogs. The online store is truly global and offers multiple languages, prices, payment methods, and global delivery that is carried out in a highly efficient manner. Further, they are committed to advancing their technology to become device agnostic. This will allow customers to browse the company’s products from any technological device at any time, anywhere. This is a crucial factor in ASOS choice of channel strategy.

Flynn (personal communication, 2014-May-7) explains that ASOS’s decision to operate solely online is due to the fact that their departments are driven by three strategic goals:

1. To have the most engaging customer experience
2. To be truly global
3. To deliver highly efficient retailing

Operating solely online reduces the pressure of what Barnes and Lea-Greenwood (2010) explains as Fast Fashion. The decrease of perceived pressure might be due to the fact that the apparel products do not need to be shipped to any individual stores. However, the products can be directly shipped to customers worldwide from the ASOS main distribution warehouse.

An online store carries further advantages, such as a lower amount of personnel. When customers search for products online, conduct research, order the product and pay for it online, it is done without the help of an employee (Bidgoli, 2004).
Lea-Greenwood (2009) argues that the difficulties met by companies operating through physical stores are typically the wide range of products they are offering customers, which needs to be sorted and kept as inventory, as well as a high frequency of deliveries. With ASOS selling over 65,000 branded and own-label products, they are not considering opening physical stores within the nearest future due to the large amount of inventory that would need to be stored (asos.com, 2014-May-07).

4.1.2 Dressmann – Physical Stores

Dressmann was founded by Frank Varner, who opened the first store in Oslo in 1962. The company is the leading fashion chain for men’s wear in Sweden and part of the Varner Group. The head office is located in Oslo, Norway and the company is operating through 380 stores (Dressmann, 2014).

Siri Nordby, Market Communicator at Dressmann explains how the company targets price-conscious men of age 35 and older (Nordby, personal communication, 2014-April-16). Accordingly, they are competing within a target group where the competition is less compared to companies who target teenagers. This factor is an important reason for why the company did not succeed with an online presence years ago (Nordby, personal communication, 2014-April-16). When referring to Dressmann’s target group, the increase of weekly Internet users in Sweden has increased significantly. Swedes between ages 25-54 have increased from 92 to 97 percent for weekly internet users between 2008 and 2012. Further, the weekly internet users between the ages of 55-74 have increased from 61 to 67 percent within the same time frame. This is a significant increase compared to the younger population (ages 16-24) where the number of weekly internet users went from 98 to 100 percent (Unece, 2014). Nordby argues that their reason to go online by 2015 is due to their target group readiness for online shopping, it is shown by the high increase of internet users within Dressmann’s target segment (Nordby, personal communication, 2014-April-16).

As previously stated, Schoenbachler and Gordon (2002) discuss that it is almost a requirement to operate with an online presence. Traditional companies who choose to stick with a single channel approach, risk left behind by new companies operating through multiple channels. Dressmann represents a company working with a single channel-strategy. The company follows a Brick and Mortar strategy, which explains the traditional business that deals with their customers face-to-face through physical stores (Bernstein et.al, 2008).

Correspondingly, Mackenzie et al. (2013) believes that the industry is moving away from the Brick and Mortar concept, and that the presence of physical stores will be extinct altogether in a few years. Even though that may not be the case, changes to this industry are inevitable. Nordy explained that Dressmann previously attempted to go online, but failed. The stated reason behind this failure is that Dressmann’s customer segment was not yet ready to buy apparel online (Nordby, personal communication, 2014-April-16).
As Gordon and Schoenbachler (2002) argue, retailers should be indifferent as to what channel customers prefer, and that customers preferring to consume in a physical store should not be forced to shop online. The same applies for the other way around. The authors also discussed that moving to a multi-channel strategy is magnified by the fact that little is known about what drives consumers to be a single channel or multi-channel buyer (Gordon & Schoenbachler, 2002). Dressmann does have an online presence to a certain degree today, since they enable their customers to search and look at the products online. However, they do not sell their products online. With a look-book, the customers are able to see their product range and make a shopping list to use in a physical store. This is not only for providing their customers with an extra service, but to attract more people to their webpage, and it is a way of testing their customers’ readiness towards an online presence (Nordby, personal communication, 2014-April-16).

By operating with an online channel focusing on marketing, Dressmann has been able to gain experiences and knowledge of the online environment. Further, Dressmann has been able to create a new and satisfying platform, which they plan to utilize when the company is going online in the nearest future (Nordby, personal communication, 2014-April-16). It is considered to be important to create a strong brand strategy, since such a strategy enables a company to control its growth, strengthen its retailer positioning as well as it offers opportunities to develop market power. This is due to the fact that a company’s brand has a natural connection to the company’s overall image (McColl & Moore, 2011).

4.1.3 Bubbleroom – Online Store, went Physical

Bubbleroom was founded in 2005 as a web shop with exclusive apparel for both women and men. However, the company has passed through several phases during its lifetime. Christian Resell, Vice President at Bubbleroom explains how they in 2008 started questioning their existing market and analyzed how it could be exploited further. It was known that e-commerce was growing rapidly, yet physical stores still covered 93 to 94 percent of the market’s turnover (Resell, personal communication, 2014-April-17).

Not only did the new physical store become a different sales channel for Bubbleroom, but also a great marketing channel, which consequently aims to increase the company’s online sales. Through a shift in Bubbleroom’s channel strategy towards physical stores, the company is expected to reach a broader target group. Moreover, the company aims to reach an older customer group through their physical stores, in addition to their relatively young target group today (Resell, personal communication, 2014-April-17). Research supports such statement since it is found that a strong brand successfully influences the customer’s purchase decision. Consumers often use indicators such as a brand name as a basis for their choice of product. Furthermore, it is found that rather unknown brands are considered to take advantage from having a physical presence. This is due to the fact that a low level of consensus information increases a company’s brand familiarity if the company operates through a physical store (Benedicktus et al., 2010).
In 2013, Bubbleroom went through a shift in their strategy where the company realized and stated that they are a fashion brand, rather than an e-commerce brand. Such a statement motivated the company to put more effort into their own brand and design. Bubbleroom’s own design and fashion brand accounts for 50 percent of the company’s turnover today. Christian Resell, vice president at Bubbleroom, mentions that the reason for opening physical stores is due to the fact that the company started branding themselves as a fashion brand rather than an e-commerce company (Resell, personal communication, 2014-April-17). Additionally, research shows that customers are more likely to pursue spontaneous shopping through physical stores (Solomon et al., 2013). Bubbleroom believes that by opening physical stores, it will enable people to unintentionally pass by and shop spontaneously (Resell, personal communication, 2014-April-17).

The company has three different physical concepts today; physical pop-up stores in order to show their brand, outlet shops with a purpose to sell excess inventories, and a real store venue. If the concept of running physical stores turns out to be successful, the company plans to open up an additional nineteen stores within a timeframe of three years. The establishment of physical stores is primarily about strengthening the brand of the company, but is also about the creation of trustworthiness among the customers. The strategy behind Bubbleroom’s choice of channels is simply to achieve increased expansion in order to be available for the customer.

Bubbleroom possesses an advantage when having an established online customer base, since the company can analyze personal details of their online shoppers, and thus are able to meet the up-and-coming trend of online stores going physical with a competitive advantage. Stock can be altered based on where the customers are located and what their shopping pattern is like. It is seen to be a solid motive to open up a physical store at a market where the company already knows that there is a loyal customer base that are willing to consume. Due to previously mentioned reasons, Bubbleroom believes that we are going to see more online-based companies that choose to open up physical stores.

Internet can be used as a tool of communicating and creating a relationship with customers (Resell, personal communication, 2014-April-17). It provides the company with personal information such as the customer’s age, birthday, address and gender. Such information enables Bubbleroom to analyze customers’ demands and preferences. Nevertheless, such information is not available in physical stores, where the employees are content if they manage to recognize two or three percent of their customers. However, physical stores enable the company to influence the customer to a preferred shopping behavior. An emotional relationship may occur in the store if the employees serve the customer in a certain way. Research has shown that human behavior is strongly affected by the atmosphere and that environmental stimulus is an important marketing tool for the company. The physical environment can contribute to the way a customer feels at a specific point in time which accordingly affects what we want to do or buy (Solomon et al., 2013).
Thus, a physical store is efficient in order to create an emotional relationship to the customer, while internet is preferred when creating an informational relationship. If a company succeeds in combining these two channels, it tends to have good circumstances for success (Resell, personal communication, 2014-April-17).

4.1.4 Cubus - Physical Stores, went Online

Cubus was first introduced in 1966 and operated through a single channel strategy of physical stores. The Varner Group fully acquired the brand in 1989 and their first store in Sweden was introduced in 2004. Cubus moved towards a multi-channel strategy in 2013, by opening an online store. The company is owned by Varner Group and has 325 stores (Varner Group, 2014).

The company offers low priced apparel for children, women and men (Cubus, 2014). Cubus follows a Click and Brick strategy today, which refers to a combination of the traditional Brick and Mortar business and online establishments. Thus, transactions can be transferred either through online or physical stores (Kuan & Bock, 2007).

Claire Sundt, Project Manager for Digital Media at Varner Group, explained the reason behind Cubus’s choice of channel strategy and why the company decided to go online. Varner Group is working with different chains that include a rather complicated process compared to companies solely operating with one store. As early as 1999, an online store was created for Cubus, but the online presence only lasted for one year. The underlying factor behind this was customer’s lack of knowledge towards online shopping. Moreover, there was a lack of trust and safety among the customers, which harmed their online shopping behavior. The buyers at that time did not trust implementing their private information online (Sundt, personal communication, 2014-April-24).

Due to the earlier failure of Cubus’ online presence that also resulted in great financial loss for the Varner Group, the concern has been extra careful when it comes to its online presence. Even though the numbers of online shoppers are growing, there is a large amount of customers who feel distrust towards sending their personal and financial information over the web. Compared to physical stores, consumers estimate higher risk in online shopping (Hsieha & Tsaob, 2012). Even so, Cubus successfully managed to launch their online store in 2013.

In 2008, Claire Sundt was employed with the underlying reason to build a new platform for marketing. At this point in time, Varner Group had stores operating with online stores, but this was external and not managed by Varner Group. Moreover, Cubus was working with an online platform for marketing for about four years and today has an online store, which was launched in November 2013 (Sundt, personal communication, 2014-April-24). Sundt (2014) describes the company’s understanding towards the importance of working with multiple channels, but also explains how the process of going from physical to online stores is complicated and considered to be time consuming.
The process includes the actual creation of the platform and a logistics system in order to be able to manage the online presence (Sundt, personal communication, 2014-April-24). Further, this is the main reason why the company was not the first actor on the online market, due to Cubus’ historical background, and that their target group was not ready. Cubus targets mainly families in their physical stores today, while they target youths and mothers online (Sundt, personal communication, 2014-April-24).

When working with marketing and branding, it is crucial to define the company’s target market, in order to immerse into the consumers’ preferences. Thereafter, in choosing the company’s brand personality, it is considered to be essential to analyze the motivation factors and expectations of the company’s customer segment. Such findings can enable the company to determine its brand personality based on the customer’s ideal identity expectations (Mahmutoglu Dinc et al., 2012).

Sundt consider it a challenge for companies to operate solely with one store. Companies operating with only one store will encounter difficulties when creating a marketing strategy, since it may not be possible to create competitive advantages through economy of scale (personal communication, 24-April-2014). Economies of scale explain that production is more efficient the larger the scale of the production is. An industry has economies of scale when a doubling of the input to the industry will more than double the outcome of the production (Krugman, Melitz & Obstfeld, 2012).

Moreover, Schoenbachler and Gordon (2002) analyze what drives consumers to a single channel or multiple channels and came to a conclusion that traditional companies, who chose to stick with a single channel approach, risk to be left behind by new companies operating through multiple channels (Schoenbachler & Gordon, 2002).

Ko and Roztocki (2009) argues that firms, who chose to start their operations with physical stores in order to establish online operations later on, face an advantage over firms that operate solely online. They tend to have greater access to their products, stronger relationships with vendors, and stronger brand recognition, as well as the presence of a long-term customer base. Such a factor is considered to be a competitive advantage for Cubus, since they are competing against apparel stores that only operate online today (Ko & Roztocki, 2009).

As Sundt stated, there is a necessity to operate with more than one store and with online presence in order to be able to compete within the fashion industry (personal communication, 24-April-2014). Companies that try to market only one store in one single country will encounter difficulties. By only operating with one store, you might not have the opportunity to implement television commercials or national media into your marketing strategy in order to increase sales. In regard to this, Varner Group has a great competitive advantage since they are operating with a greater amount of physical stores for Cubus. In addition, Cubus enables their customer to purchase their product online (Sundt, personal communication, 24-April-2014).
The fact that Cubus operates with both physical stores and online stores-follows a multi-channel strategy and can be seen as a service offered for the customer to choose among different channels, which again creates loyalty and convenience (Rangaswamy et al, 2005).

4.2 Summary Empirical Findings

Dressmann currently follows a Brick and Mortar strategy. Although they have earlier attempted to go online, but failed due to a lack of internet use amongst their target customers. Cubus was founded in 1989 and follows a Click and Brick strategy. Cubus considers the process of going online as relatively complicated. The company failed in establishing an online store in 1999, since their customers were not ready for such a change. Bubbleroom, on the other hand, was established in 2005 as an online store. The company previously changed their strategy to a Click and Brick strategy with an underlying reason to be a fashion brand rather than an online store. ASOS was founded in 2001 and currently follows an online-only strategy. The company targets a relatively young customer segment and offers a large variety of products, which is considered to be a reason to operate solely online, according to ASOS.
5. Analysis

In the fifth section, the results of the theoretical findings will be analyzed and discussed based on the authors’ own judgments. This will be done in order to compare and evaluate the four cases in addition to the theory.

Throughout this thesis, the authors have conducted thorough research on the topic of the choice of channel strategy within the apparel industry. With the use of case studies and interviews, they bound theory to practical confirmation.

There are critical aspects to be considered when trying to understand why a company would find a specific channel or multi-channel approach the most appropriate for their business. One of the main reasons is the existing customer base, as well as the target group the company is looking to attract. It has become evident through the case studies that even though two companies are owned by the same group, they may not be utilizing the same channel strategy. This is thought to not only be a result of which target group the company is looking to attract, but also the customer experience the company would like to provide its customers with.

In addition to a company’s customer considerations, it is essential for a company to be aware of its competitors. It is considered important to develop an online presence in today’s apparel industry. Traditional companies that choose to operate solely through physical stores risk being left behind by competitors (Schoenbachler & Gordon, 2002). Research shows that the industry is moving away from physical stores and shifting towards a higher online presence (MacKenzie, et al., 2013). However, online companies arise that are now looking into possibilities of physical expansion.

5.1 Channel Strategies

Bubbleroom challenges previous research by finding it important for its brand to expand through physical stores. This can be considered channel innovation. Robinsson and Kalakota (1999), claim that channel innovation occurs when companies successfully attract customers by pioneering new channels. It can be a difficult task for companies to successfully exploit channel innovation.

Dressmann has previously attempted to pursue channel innovation, but failed since their target group was not ready for it. Therefore, it is difficult to conclude whether Dressmann utilizes channel innovation or not. Bubbleroom and Cubus may be seen as successfully achieving channel innovation. Cubus went from solely operating through physical stores to a multi-channel strategy in 2013, when they successfully opened an online store. Bubbleroom, accordingly, went from solely operating online to being present through a physical store. According to the definition of channel innovation stated by Robinsson and Kalakota (1999), ASOS does not utilize channel innovation. However, the company is considered to be innovative within their chosen channel.
ASOS exploits their channel in creative ways that has not previously been done by creating an online environment attracting a large customer segment, allowing the company use of a single channel.

Due to the fact that Bubbleroom’s physical store is a relatively new phenomenon for the company, it is difficult to conclude if the channel strategy is going to be successful or not. Nevertheless, based on the theories above, a Click to Brick strategy is an efficient way to gain customer satisfaction (Gordon & Schoenbachler, 2002). It has previously been proven that physical stores going online face a competitive advantage over firms solely operating online (Ko & Roztocki, 2009). By opening physical stores, Bubbleroom might be able to increase their competitive advantage. It has also been found that online stores carry advantages, such as a lower amount of personnel. When customers search for products online, conduct research, order the product and pay for it online, it is done without the help of an employee (Bidgoli, 2004). Even though all of the chosen case companies that operates online, are able to take advantage of such factor, the low amount of personnel is additional evident for ASOS due to the fact that they operate solely online. A small independent business in lack of capital can gain advantage from operating solely online due to cut costs.

According to Goldman and Cleeland (2013), a disadvantage faced by smaller companies, as opposed to larger companies, is that larger companies may have the ability to force them out of business, referred to as the “The Wal-Mart Effect.” Larger companies are considered to be able to pursue economies of scale. Companies that try to market only one store in one single country will encounter difficulties since they cannot take advantage of the phenomenon. Bubbleroom may face a challenge due to the fact that they operate with one physical store at the moment (Resell, personal communication, 2014-april-17). Thus, it is difficult to take advantage of economies of scale at their physical market. However, it should be taken into consideration that the opening of more than one store could equal higher risks, since it requires a higher financial input. In comparison to Bubbleroom, Dressmann and Cubus face an advantage in terms of economies of scale, since they both belong to the Varner group and thus cover several market segments. Another reason why companies within the apparel industry want to use certain channels is to strengthen or change the perception of their brand.
5.2 Marketing
There seems to be a correlation between companies that aim to strengthen their fashion brand and companies that aim to be present through physical stores. Having a physical store enables the company to influence the customer with an appealing atmosphere and a good customer service. Barnes and Lea-Greenwood (2010) argue that the customer is strongly affected by the retail environment, which can be described as a combination of physical, emotional, and tangible and intangible attributes. Physical and tangible attributes are referred to as overall store design, layout and decoration, while intangible attributes are image, branding and ambience. Moreover, a physical store is considered to strengthen a company’s brand, since it enables the customer to touch and feel the product. In addition, companies that have rather weak and unknown brands are considered to take advantage of having a physical presence. This is due to the fact that a low level of consensus information increases a company’s brand familiarity if the company operates through a physical store (Benedickstus et al., 2010).

Costa (2010) states that there is an existing risk of not being able to try on the apparel, feel the fabric or receive help from personnel, which may imply a disadvantage related to ASOS’ decision to operate solely online. However, according to ASOS, through offering online tools, such as image zooming, catwalk videos and 360 degrees rotation, they have managed to reduce such a risk (Flynn, personal communication, 2014-May-07).

A further connection to increased brand recognition is believed to be the traditional marketing through physical stores (Gommans et al., 2001). The concept of traditional marketing obtains benefits that are diminished in online businesses (Gommans et al., 2001). Bubbleroom recently went through a shift in strategy where the company started branding themselves as a fashion brand rather than an e-commerce company. It then became natural for the company to open its first physical store (Resell, personal communication, 2014-April-17). According to Resell, the main reason why they chose to have physical stores is their intention to strengthen their fashion brand (Resell, personal communication, 2014-april-17). This is a crucial aspect of why Bubbleroom chooses to utilize a multi-channel strategy. As stated previously, the customer is strongly affected by the atmosphere in a physical store, which accordingly can have an effect on how the customer perceives the fashion brand. In contradiction, ASOS manages to create a strong brand without the use of physical stores. Similar to Bubbleroom’s customers, ASOS’s customers are considered to be affected by the atmosphere in the store. However, ASOS managed to create an appealing environment that attracts customer online. Accordingly, the company is perceived to have strong brand recognition, even though they do not have a physical store. Their extensive editorial and social media content helped the company create brand awareness globally.
It is worth questioning whether Bubbleroom would pursue a multi-channel strategy by opening a physical store if they did not aim to strengthen their brand image. Even though the opening physical stores mainly aims to strengthen the company’s fashion brand, there are additional reasons behind the choice of strategy. For instance, Bubbleroom aim to attract spontaneous shopper as well as an older target group. However, if there was no need to strengthen the company’s fashion brand, the company may not be urged to establish physical stores, regardless the fact that the company aim to attract an older target group as well as spontaneous shoppers.

Furthermore, a strong brand serves as reliance and creates trustworthiness of the product when the customer may not be able to examine, see and touch the product in reality, which is the case of ASOS’s online store (Benedicktus et al., 2010). The reason why ASOS manages to operate solely online may be due to the fact that they provide the customer with a high degree of consensus information, which accordingly increases the feeling of a strong brand.

The branding of a business is found to play an important role of the choice of channel strategy for a company, as well as why some companies may choose to neglect certain strategies. It has previously been mentioned that there is a difference between marketing online and for physical stores. This has caused some companies to neglect certain channel strategies and new channel approaches. It is shown that when a company is looking into expansion and attracting a larger customer base, they often look into a new channel approach. The reason why some companies neglect a certain channel could be that they simply are not looking to attract customers within any other segment than the one they are currently targeting. A business operating solely through a single channel may have found their place in the market and are not currently looking to expand into any other market. Even though Dressmann does not operate through an online store, the company exploits its online website as an online marketing tool (Nordby, personal communication, 2014-April-16). Such online tool may strengthen Dressmann’s brand which accordingly is considered to strengthen the company’s overall image in a natural manner. The acquirement of a strong brand can enable a company to control its retailer positioning, control the company’s growth as well as it can offer opportunities to develop market power (McColl & Moore, 2011).

As previously stated, operating through multiple channels may increase the position of a company’s brand. Physical stores often give an indication of a higher-end fashion brand than solely online business brands. This was shown through the cases analyzed, and one of the reasons why an online business may choose to expand through physical stores. A physical store can influence a customer more than an online store. This provides reason to think that it is easier for a physical store to come across as high-end and more exclusive than an online store. Furthermore, a multi-channel strategy can enable a company to target their customers differently, and thus create efficient marketing through different channels. Cubus demonstrates this by targeting different customer segments through different channels (Sundt, personal communication, 2014-April-24).
Research states that it is crucial for a company to define its customer segment, in order to target each segment efficiently and immerse into the customers’ preferences. When the company has analyzed each market segment’s motivation factors and expectations, the company is able to create a brand personality that fits the customers’ ideal identity expectations (Mahmutoglu Dinc et al., 2012). Since Cubus aim to target a whole family, it can be assumed that several preferences, motivation factors and expectations exist among the company’s customers. Accordingly, a multi-channel strategy is considered to be an appropriate choice for Cubus.

5.3 Demographic and Geographic Influences

Another reason for selecting a certain channel strategy is the demographic and the geographic influences on a business. It may be shown through the company’s online stores that the majority of its customers are located in a specific area, and therefore it is worth considering the option of opening a physical store in the specific area. A physical store can lead to increased sales among already-existing customers. The location of a store can affect the brand image. Thus, if an online store is looking to attract the more exclusive, high-end customer, a strategic move could be to open a store in a location that already holds several stores, which are perceived to be high-end.

Bubbleroom’s strategy to establish physical stores after being present on the online market for about eight years enables the company to take advantage of the benefits stated above. For instance, Bubbleroom can analyze the information that has been collected online in order to set favorable geographical locations for upcoming physical stores. Moreover, it is considered to be a chance for the company to control their brand image in order to place their physical store at specific location.

ASOS has been able to create a strong strategic position online. The company has operated through a single channel since 2001. The company achieved an emotional connection with customers beyond just transactional and commoditized through their online environment and the technological tools provided in their web shop. Further, ASOS is reaching customers worldwide, and their young target group has grown up in the world of mobile connectivity (Flynn, personal communication, 2014-May-01). Thus, utilizing a range of devices has allowed the company to reach its customers perpetually.

Dressmann and Cubus offer clothing for price-conscious people (Nordby, personal communication, 2014-April-16; Sundt, personal communication, 2014-April-24). Bubbleroom originated as an exclusive online shop for women (Resell, personal communication, 2014-April-17). The difference in target markets between the companies could be the reason for their choice of channel strategy. According to Horrigan (2008), those who live in a low-income household are more likely to perceive a lack of trust in sending their financial and personal information online. Such a factor is seen as one of the major reasons why customer choose to neglect online channels (Horrigan, 2008).
Cubus faces challenges in trying to accommodate all customers in the company’s broad market segment, but meets these demographic challenges through using a multi-channel approach.

More precisely, the company targets families through their physical stores, while teenagers and mothers are targeted through their online store (Sundt, personal communication, 2014-April-24). Dressmann, however, is targeting a segment of men age 35 and older. This segment does not have as high of a number of weekly internet users as companies targeting teenagers does. Due to these factors, Dressmann has succeeded in operating solely through physical stores (Nordby, personal communication, 2014-April-16). Even though Dressmann and Cubus both belong to the Varner Group, they target different market segments, and thus utilize different channel approaches.

### 5.4 Consumer Behavior

It is important for a company within the apparel industry to analyze its consumers’ behavior in order to develop the most appropriate channel strategy. Companies may also choose to neglect a channel approach due to customer influences. This is especially prominent when it comes to online businesses. Research states that consumers estimate a higher risk related to online shopping compared to physical stores (Hsieha & Tsaob, 2012).

Unlike Bubbleroom, Cubus chose to establish physical stores before going online. The company tried to go online the first time in 1999, but there was a lack of trust and safety among the customers. Some customers do not feel comfortable shopping online, as they may not trust the e-commerce concept. The lack of trust and loyalty harmed the customers’ online shopping behavior, since the buyers were not comfortable with entering their private information online (Sundt, personal communication, 2014-April-24). This resulted in an ineffective marketing channel and essentially forced the company to neglect the multi-channel approach for the time being.

The substantial increase of internet users during the last decade may indicate that the market has matured since 1999 when Cubus and Dressmann first attempted to go online. This indicates that the company’s customers might be more ready for online stores today than they were fifteen years ago. Cubus progressed towards a multi-channel strategy when they opened an online store in 2013. The attempt was successful and the outcome can be related to changes in consumers’ buying behavior. The mindset of customer and the way they interact with a brand has changed. The development of safe payments methods and customer awareness of online shopping has resulted in an increase in perceived trust among customers towards sending their personal and financial information through the web (Sundt, 24-April-2014).
Due to the fact that Bubbleroom has a higher price range for their products than both Cubus and Dressmann, there may be a correlation between the price range of a company’s products and its online success. By offering higher-priced products Bubbleroom positions their store towards a niched market segment. Further, Cubus’ success in operating with an online store can be referred back to the fact that they first created a relationship with their customers through physical stores. On the other hand, ASOS targets a young group of customers, which normally implies a lower disposable income. Accordingly, it is rather contradictory to study why ASOS succeeded in operating online, despite their customer segment that are considered to belong to a relatively low-income segment.

Solomon et al. (2013) argue that the consumption process is complex and that there are many factors that may influence the customer’s buying behavior. As previously mentioned, it is found that the companies’ consumers’ behavior is taken into consideration when choosing an appropriate channel strategy.

Research shows that customers usually follow traditional consumption processes that consist of a pre-purchase phase, a purchase phase and a post-purchase phase. However, some customers pursue spontaneous shopping, where they go straight to the purchase decision (Solomon et al. 2013). Moreover, it has been found that personal characteristics of the customer, including impulse-buying tendency and situational factors such as money and time available, have an influence on the customer’s shopping behavior (Mohan et al., 2013). When impulsive buying occurs, the consumers do not follow the typical steps of the consumption process where alternatives are considered, but rather go directly to the purchasing phase. Accordingly, Bubbleroom believes that a physical store will enable people to unintentionally pass by the store in a shopping mall and shop spontaneously (Resell, personal communication, 2014-April-17). Dressmann and Cubus already covered the customer segment that consists of spontaneous shopper, since both companies have already established physical stores. The spontaneous shopping is a reason for a physical store channel as it will attract more sales than what might have been anticipated.

In contradiction, such theory would imply a disadvantage to ASOS. Based on such theory, the company tends to eliminate potential spontaneous shopping, since they do not enable customers to accidentally pass by a physical store. Thus, if irrational and spontaneous shoppers did not exist, there seems to be less legitimate motives for Bubbleroom to establish a physical store. Further, ASOS does not see this as a problem as they have been able to create an environment that stimulates spontaneous shopping online. This has been done through their work with social media, and ASOS is not considering opening physical stores (Flynn, personal communication, 2014-May-7).
In addition to the deviant case of spontaneous shoppers, there exist further categories of irrational shoppers that diverge from the traditional consumption process. Those who choose to follow the traditional steps of the consumption process explained by Solomon et al. (2013), but use several channels in order to do so. For instance, a customer may go through the pre-purchase stage using an online channel while choosing a physical store to go through the purchase phase, and finally manage the post-purchase stage using an online. Therefore, in order to allow customers to behave irrationally, it is crucial for a company within the apparel industry to obtain a multi-channel strategy.

For instance, some consumers may find products in stores, try them on, and then go online to make the actual purchase. If a store does not operate online, it may lose an important customer, as well as an anticipated purchase. Dressmann offers an online presence where the customers can look at the product, add it to a cart, and thereafter pick up their items from their cart in a physical store. However, the actual purchase cannot be performed online. Consequently, this is operating through multiple channels, even though the actual purchase cannot be completed online. In contradiction, Bubbleroom offers their customers the chance to try the apparel on in a physical store, but the actual purchase can also be completed through their online system.

Even though it is crucial to create an online presence, it is still considered essential for companies to operate through physical stores. In addition to the fact that certain customers aim to pursue irrational shopping, where they utilize more than one channel, parts of today’s generation still prefer to shop solely through physical stores. It is undeniable noticed that companies within the apparel industry are moving towards having an online presence.
6. Conclusion

In the sixth section, the conclusion that was reached as an answer to the research questions will be summarized.

In this thesis, the purpose has been to develop an understanding of the underlying reasons behind a company’s choice of market channel strategy. In order to achieve this purpose, research questions were set as guidelines. The two types of channel strategies that were analyzed were single channel strategies and multi-channel strategies. A case study of four companies that represented one of the different channel strategies was conducted. The case companies were: ASOS representing a single channel operating solely with an online store, Dressmann operating with solely physical stores, Bubbleroom operating through an online store but went physical and Cubus operating through physical stores but went online.

Thorough research showed the critical factors being considered when choosing a channel strategy are: marketing aspects, demographic aspects, and geographic aspects, such as location of customers as well as the consumer behavior of the customers.

It is seen as highly important for a company to utilize channel innovation in order to sustain or expand a company’s market share. The authors concluded that channel innovation can be exploitation of a currently utilized channel strategy. However, it is important that a company is aware of the perceived risks that come with expansion through a new channel.

There are critical factors to be considered when choosing an appropriate market channel with respect to different marketing aspects. A physical store channel strategy can be important to a company trying to strengthen their brand, or change their brand perception. A physical store channel strategy is also shown to influence customers to purchase a product, in a more persistent manner that an online store. This can lead to increased sales for a company. It has also been found that a company obtaining sales through a single channel strategy can use a multi-channel approach for marketing purposes. A company, who is looking to reach different target segments, can find it appropriate to use different channel strategies to do so.

Companies can also find reasons to neglect a certain market channel through analyzing different marketing aspects. If a company’s specific target group cannot be reached in an efficient manner through more than one channel, then there is no reason why a company would operate through a multi-channel strategy. Another circumstance is that the company’s target group is not ready for a specific channel. A new small, independent business in lack of capital, often neglects the physical store channel as it requires more capital than an online store.
Demographical and geographical aspects are important to consider for a company deciding an appropriate channel strategy. A motivation for a company operating online, to expand through physical stores is that they can utilize information gathered online to see where their customers are located, and thus appropriately place their stores. This is an advantage compared to companies that start out operating through physical stores, as they will need to test out the market. A single channel online strategy will allow the company to reach customers all over the world through a single platform as well as be available to their customers all hours of the day. This leads to sales even when regular store hours are over. A multi-channel strategy is appropriate when a company is trying to reach a broader customer segment.

Market channels can be neglected due to the fact that they do not attract the appropriate target group. As previously stated, even companies with the same parent company can choose different channel strategies since they have different target groups. It has also been shown that a customer’s income can affect their willingness to purchase a product online.

Lastly, another main influence of a company’s choice of market channel is consumer behavior. The mindset of a consumer can influence a company’s choice of channel. Even though research believes that the physical store concept is a term of the past, the thesis proved that some customers still prefer to shop in them rather than online. Analyzing the consumer behavior shows that there was an issue with safety and trust for online stores when they first arose. The problem is decreasing however the mindset can still be there for some customers. A company wanting to operate online will have to consider whether their target customer segment is ready for an online presence or even willing to shop online. Companies operating through a single channel will have to consider whether it is enough to keep their market share in the future, or if expansion through another channel could be necessary.

To conclude, the authors did not see one single channel strategy that can be said to be appropriate for all businesses within the apparel industry. Even so, it could be concluded that the amount of companies utilizing a multi-channel strategy is increasing and that it seems to be a natural step for a company wanting to expand. No matter which strategy a company decides on, it is important to consider crucial aspects that could make or break the business.
7. Scope and Limitations

The seventh section will discuss the scope and limitations encountered when conducting the interviews, finding data and writing the thesis. Furthermore, it will give suggestions for future research.

7.1 The Scope of the Thesis

The group spent much time conducting thorough research and tried to cover as much ground as possible in order to come to a valid conclusion. Even so, there are areas which the group could not explore fully. This means that the result might have varied in the case of the group having more time to explore the market to a wider extent. Nevertheless, the study conducted was able to give a clear overview of the problem stated, and thus the conclusion that was reached is valid according to the research gathered.

7.2 Limitations

The fact that there will be limitations to one’s research is inevitable. Different factors will play a role in the thesis writing, and thus it is not always in one’s power to be able to control every part of the study. Such factors may be, but are not limited to, interviewee’s availability, limited relevant research, trustworthiness, and time frame.

It has been experienced by the group that it is not the easiest task to find relevant companies for the study who are willing to partake in an interview. The group believes that this is due to the fact that focus was put on larger companies in order for the study to be more general and able to apply to the industry as a whole. It was believed that if the group had used smaller-scale companies for the case studies, the result might have been highly biased, as well as not as relevant or applicable to the bigger picture of the entire fashion industry. The larger corporations and businesses the group selected to pursue interviews with did not often have the time to take part of such a study. This led to a prolonged process of numerous attempts of trying to find a business willing to be interviewed that met the group’s criteria.

The group encountered that relevant research has yet not been conducted on some specific cases. Furthermore, information tends to travel more rapidly on the internet and thus, the group realized that some of the cases were briefly touched upon in unreliable sources, instead of peer-reviewed journals. The interviews were intended to fill out this gap. This further leads to the criteria of trustworthiness. Most of the articles used for the findings of this thesis were trustworthy and academic articles. However, the fact remains that it is a fairly new and unexplored subject in some cases, and therefore the information may not be as trustworthy as the group had hoped.

Even though the time frame given was enough for the research conducted for this thesis, further research would require a more thorough in-depth exploration of the subject, meaning more time would be required.
Since the group focused on larger companies and corporations, it should be noted that the findings may not apply to all businesses within the chosen industry. As with any industry, the requirements for success and a chosen strategy may vary substantially within the industry as well as between companies.

There are general concerns when conducting case studies, such as that the authors may not have followed a standardized procedure, and thus gathered different information from different companies (Yin, 2003). If this occurs, then the information may be subjected to partialities. Even so, the authors tried to follow procedure thoroughly.

Statistical data provided by the World Bank did not include numbers of internet users later than 2012 (16-April. worldbank.org). The number might be outdated, therefore the authors made sure the context was appropriate.

Further statistical data from the United Nation Economic Commission for Europe about weekly internet users in Sweden by age and gender only had the optional to choose an age range between 25-54 and 55-74. When looking at Dressmann’s target group and the reason for their failure of the attempt to go online in 1999, it would have given us a clearer answer if the statistical data provided were within the age rate of 35 excluding an age rate 25-35 (unece.org, 14-April-2014).
8. Contribution

Section eight will discuss what the thesis is considered to contribute within the chosen area of study. The results can be used as grounds for further research, as well as a guide for companies when choosing an appropriate channel strategy.

Gordon and Schoenbachler (2002) argue that retailers should be indifferent as to what channel customers prefer. This study provides further knowledge regarding critical aspects within different channel strategies faced by companies. Previous research has been focusing on online presence; however, within this paper, the authors also conclude the importance of physical stores. The authors were able to conclude that a multi-channel strategy is efficient, which further sheds light on the importance of having physical presence, which makes this study unique in the fact that current research states that physical presence will be extinct in a few years. This study contributes with knowledge regarding advantages and disadvantages within each market channel options. Furthermore, the evolution of environmental factors over time, as well as consumer’s behavior was provided. This thesis can accordingly help companies when concluding what market channel strategy fits the company best. In addition, the authors provide the reader with critical aspects that have caused failure or success within certain channels. Thus, companies within the apparel industry can avoid these failures in order to increase their chances to succeed with channel innovation in the future, as well as concentrate on success factors when choosing or switching channels.
9. Further Research

Section nine, will provide an abstract of further research that the researchers either found lacking within the area or needs to be further explored.

The area of research explored in this thesis is still fairly new and ever-expanding, and further re-search is necessary in order for the inquiry to be up-to-date. It was found that multi-channel approaches were introduced mere a few years ago, and thus the current research needs to be updated at the same pace as the market is changing.

An article was written by PWC that takes a very modern approach to channel-strategies and goes beyond the dot.com channel, which corresponds to the concept of online stores. The article states that a greater focus on the consumer and integrated, customer-focused technology creates a total retail experience, rather than a “channel” experience. This is referred to as the omni-channel concept (PWC, 2014).

One area that was explored was the fact that multi-channel and single channel strategies within fashion are no longer exclusive. A new concept called omni-channels was introduced to the authors.

The Vice President of Bubbleroom, Christian Resell, also referred to omni-channels during an interview. He referred to omni-channels as an upcoming phenomenon within the industry. Thus, it is found to be interesting to study further.

There is undeniably a need for further research in many areas, due to the fact that the industry is ever-changing and dynamic. However, it is critical to study an area where little valid research is done. There is a risk related to the sources of research that has been done so far in the modern research area, such as omni-channels.

In addition, the authors can conclude that different ways of working with channel innovation exist. There may be a need for further research of new concepts in terms of technology and pop-up stores. Furthermore, it is found to be interesting to study how companies that originally operate with solely online stores develops their channel-strategy by adding an apparel showroom. These showrooms are contributing to reducing perceived risk towards online shopping. Such physical showrooms enables customers to try the apparel on; however, the actual purchase will be completed through mobile devices such as a mobile phone or a tablet. This will further increase of trust towards the online channel, and customers can be provided with help from personnel. Moreover, the online environment is changing, including the development of technology that enables innovative ways for customers to interact with apparel offered by companies. For instance, when customers are able to upload personal pictures, choose the apparel and try it on online through illustrations, it allows customer to engage with the brand. Such technological aspects are considered to be especially interesting in terms of further research.
10. References


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