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How Physical Stores Help DNBs Thrive

Explore how DNBs (Digitally Native Brands) leverage physical stores to grow their brand, reach core audiences, and increase customer engagement.



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What's A DNB Anyway?

[DNBs](#) – Digitally Native Brands – refer to retailers that began their retail journey exclusively online, selling their product line direct-to-consumers through their owned digital channel. But although all these businesses start out as a [pure e-commerce play](#), many DNBs eventually move [offline](#), choosing to leverage the various benefits of brick-and-mortar channels to grow their business even further.

This white paper uses location intelligence to reveal the different brick-and-mortar strategies helping DNBs broaden their reach, build their brand, and acquire new audiences. Several DNBs are building massive store fleets, while others focus on a couple well-placed stores – and some focus on temporary pop-ups to reap the benefits of physical stores without the long-term commitment.

Read on to discover the diverse methods that digitally native brands are enlisting to drive growth through brick-and-mortar expansion.

The Direct Sales Opportunity

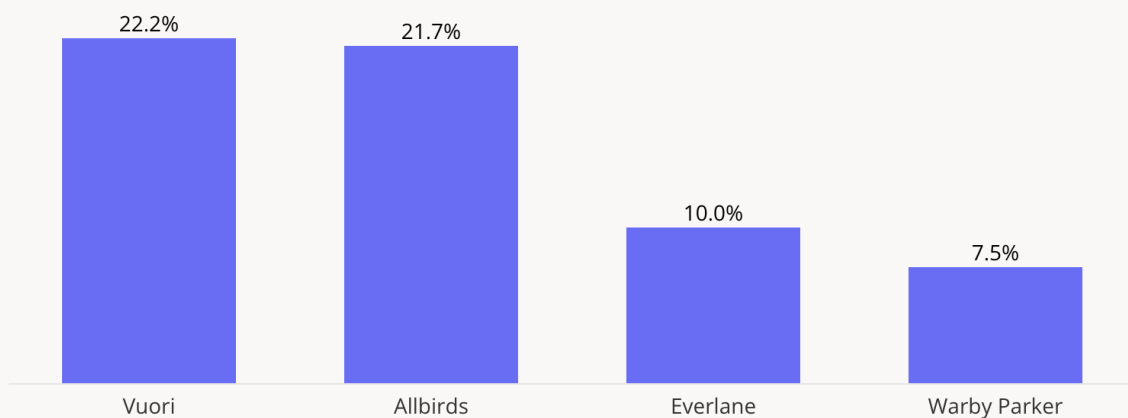
Physical venues offer retailers a range of benefits. Brick-and-mortar stores can open up new sales channels, facilitate an immersive brand experience, enable consumers to engage directly with the brand's product, and [reduce](#) customer acquisition costs. DNBs have proved particularly adept at opening stores that consumers will actually want to visit, with leading digitally native brands seeing strong foot traffic trends in 2023.

Analyzing year-over-year (YoY) data for Q3 2023 shows that, while many retailers [struggled](#), DNB leaders such as Vuori, Allbirds, Everlane, and Warby Parker all saw significant growth in quarterly visits per venue. Many of these brands also underwent [significant expansions](#), but the increase in visits per venue reveals that many of the DNBs are seeing more crowded stores despite the increase in number of overall venues. The success of these brands in operating stores that consumers want to keep

visiting – even in times of [economic headwinds](#) – suggests that DNBs are particularly well positioned to take advantage of the diverse benefits of offline stores.

Digitally Native Brands See Increase in Average Visits per Venue

Q3 2023 Compared to Q3 2022



Reaching New Audiences Through Physical Stores

Digitally native brands are known for their [sophisticated use](#) of customer data. DNBs can study the data generated by their e-commerce channels to identify their audience and consistently tweak their messaging and promotional offerings to reach their ideal consumer base. Does moving to brick-and-mortar locations make it more difficult for these companies to reach specific audiences? Or do physical stores actually allow DNBs to reach a wider range of shoppers while keeping its target audience engaged?

Warby Parker: Higher Foot Traffic, Higher Median HHI

[Warby Parker](#) is perhaps one of the earliest and best-known DNBs to move offline. The eyewear chain began as an online affordable glasses retailer in [2010](#) and quickly recognized the benefits offered by brick-and-mortar stores. The company opened its



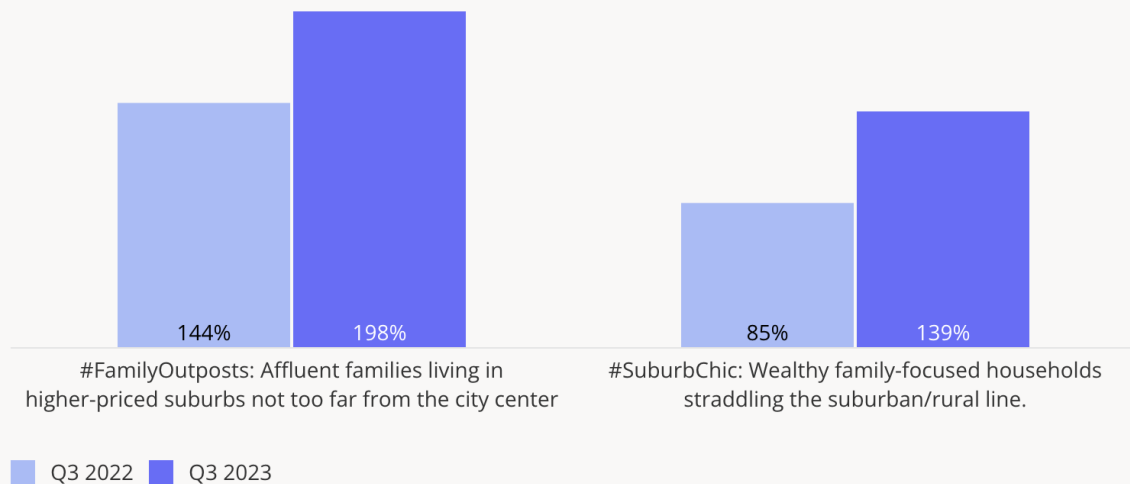
first physical location in [2013](#) and has since grown to include over [200 stores](#) nationwide, with the chain reporting consistent [foot traffic increases](#) YoY.

From the start, the vision-care chain created a new niche by [positioning itself](#) as a lower-priced eyeglasses brand that maintained the sense of prestige and exclusivity of much fancier labels. Recently, the company has introduced some [higher-priced eyecare products](#) – all while maintaining its aura of [affordability](#).

And foot traffic data reveals that the company's emphasis on affordability is not deterring higher-income visitors. Between Q3 2022 and Q3 2023, the share of #SuburbChic and #FamilyOutpost segments (wealthier families living in suburbs, as defined by [Spatial.ai: Personalive](#) data) in Warby Parker's [trade area](#) grew significantly. This trend indicates that Warby Parker's physical locations are successfully attracting a market segment with major spending power, which could help explain the brand's continued success.

Warby Parker Sees a Higher Share of Visitors from Wealthy Suburbs

Share of Visitors Compared to a Nationwide Benchmark | Based on Spatial.ai Personalive Data of Placer.ai Proprietary Algorithm of Captured Market of Trade Areas



Vuori: Welcoming Singles in California

While some DNBs are growing their reach among wealthy families, others are attracting larger shares of younger consumers. One such brand is Vuori, a San Diego athleisure company that began by selling [men's activewear](#) at yoga studios before pivoting to a [direct-to-consumer](#) e-commerce model. Like Warby Parker, the brand has leaned into offline expansion. The company's first store opened in [2021](#), and Vuori has set its sights on opening 25 stores a year, with the eventual goal of operating [100 stores by 2026](#).

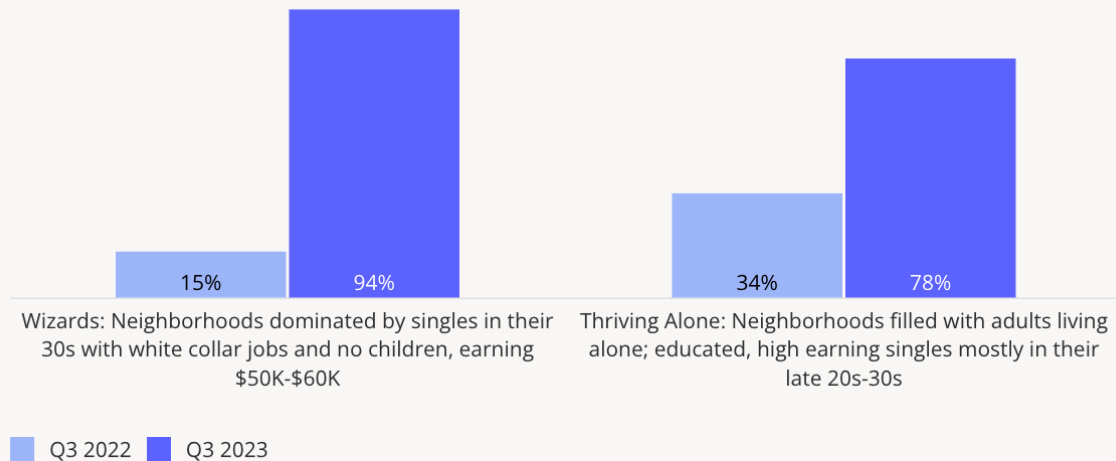
The chain currently operates [48 stores](#), with the majority in its home state and wellness haven California. Diving into the demographics of these stores' trade area reveals that they attract an outsized share of singles and individuals from non-family households – and the share of this segment in Vuori's trade area is growing over time.

The share of "[Wizards](#)" – white-collar singles in their 30s – in Vuori's trade areas in Q3 2022 was 15% more than in California as a whole. By Q3 2023, that segment was over-indexed by 94% relative to the California average. Similarly, the share of the "Thriving Alone" segment ([defined](#) as high earning singles in their late 20's to 30's) in Vuori's trade areas relative to the wider California average grew from 34% to 78% in the same period.

As the company continues to expand, the increase in the over-representation of the "Wizards" and "Thriving Alone" segments Vuori's trade highlights the company's success in reaching its core audience through its strategically located stores.

Vuori Stores in California Attract More Singles in 2023 Compared to 2022

Share of Households of Visitors to Vuori Venues in California Compared to a Statewide Benchmark | Based on STI: Landscape Data of Placer.ai Proprietary Algorithm of Captured Market of Trade Areas



Alo Yoga: Growing its Reach Among Sunset Boomers

Opening physical stores doesn't just allow DNBs to sell to audiences that they're already reaching online. Instead, brick-and-mortar venues can help retailers branch out to new customer segments that the company may be missing on its e-commerce channels.

For example, [Alo Yoga](#), a [favorite](#) among celebrities and influencers, has positioned itself as a go-to for [Gen Z and Gen Alpha](#). But digging deeper into the [captured and potential market](#) of the brand's store fleet indicates that Alo Yoga stores actually attract a large share of older visitors – specifically “Sunset Boomers”, [defined](#) as “Well-off boomers near or at retirement age living in picturesque locations.”

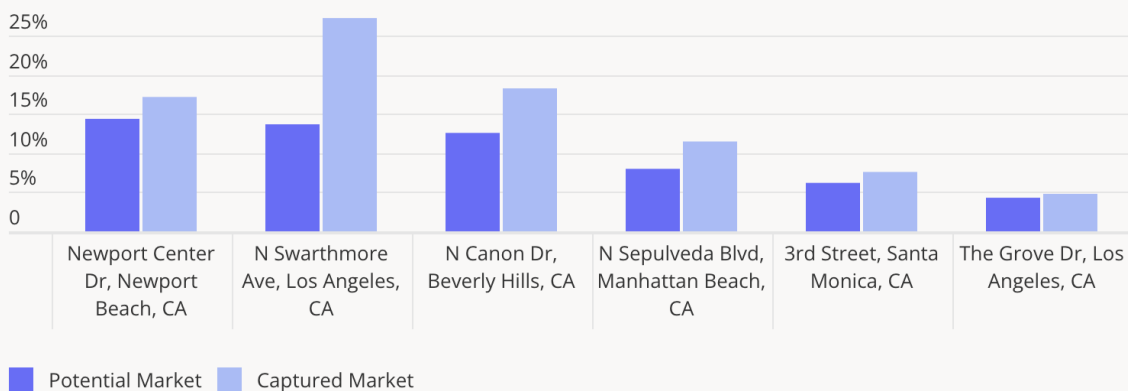
As the graph below shows, the share of “Sunset Boomers” within Alo Yoga venues' potential market (Census Block Groups where visitors reside, weighed according to



the size of each CBG) was smaller than the share of “Sunset Boomers” with the venues’ captured market (CBGs where visitors reside, weighed according to the visit share from each CBG). This suggests that “Sunset Boomers” are overrepresented in the visitor base of top Alo Yoga locations in the wider Los Angeles area – and so the company’s offline stores are succeeding in reaching this audience that it may be missing online.

Alo Yoga Locations in the Los Angeles-Long Beach-Anaheim, CA CBSA Attract High Rates of Sunset Boomers*

Q3 2023 | Spatial.ai: PersonaLive Data of Placer.ai Proprietary Algorithm of Market of Trade Areas



*Sunset Boomers: Well-off boomers near or at retirement age living in picturesque locations.



The Power of Retail Stores for Digitally Native Brands

Some digitally native brands choose to build massive store fleets and establish a network of brick-and-mortar sales channels that rivals the original e-commerce business. But others choose to establish a more modest offline presence focused on cultivating strong customer relationships, enhancing brand awareness, and facilitating product engagement. And analyzing visit data to the first store of a DNB



brand with a limited offline presence shows the strong demand for DNBs' physical venues.

Rothy's Outlet Seeing More Visitors Than Nearby Shoe Stores

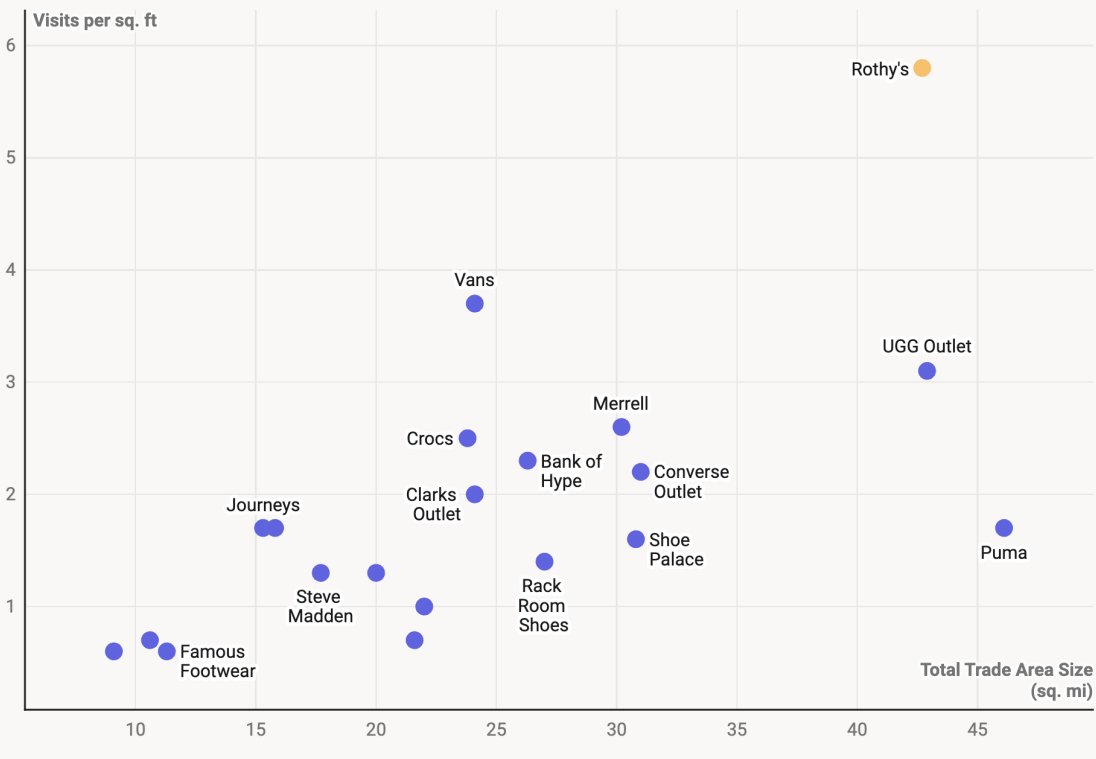
[Rothy's](#), a DNB [founded in 2012](#), sells eco-friendly, comfortable, and fashionable footwear. The shoes were a massive success, and the company opened the first of [its](#) 13 stores in [2018](#). And in [September](#) 2023, it opened its first outlet store at the San Francisco Premium Outlets mall, in Livermore, CA.

So far, the Rothy's outlet has met with significant success – visitation data reveals that the store pulls in five times more visits per square foot compared to other footwear retailers in the same shopping center. Rothy's trade area was also among the largest trade areas for stores in the outlet mall – indicating that Rothy's visitors were significantly more likely to travel far distances to visit the Rothy's outlet than other nearby shoe stores.

Rothy's first outlet's impressive visit metrics highlight the tangible excitement that physical stores can generate – and reveal how even a limited offline presence can help DNBs promote brand engagement.

Rothy's First Outlet See More Visits per Square Foot and Larger Trade Area Size than Neighboring Footwear Retailers

Based on Visits to Footwear Retailers at San Francisco Premium Outlets, Livermore, CA | Sep.-Oct. '23



The Pop-Up Effect

Certain DNBs like Warby Parker choose to establish a significant offline store fleet, and some, like Rothy's, open a few strategically placed locations. Others go a different route – and turn to pop-ups to gain some of the advantages of a brick-and-mortar presence without the long term investment. Pop-ups allow companies to dip their toes into the physical retail waters by offering DNBs a low-stakes way to amplify their market presence, engage with customers, and trial a potential permanent offline



move. Pop-ups also can also benefit host venues, highlighting the multiple benefits of the format.

SKIMS by Kim Kardashian Sparks Visits to Rockefeller's Channel Gardens

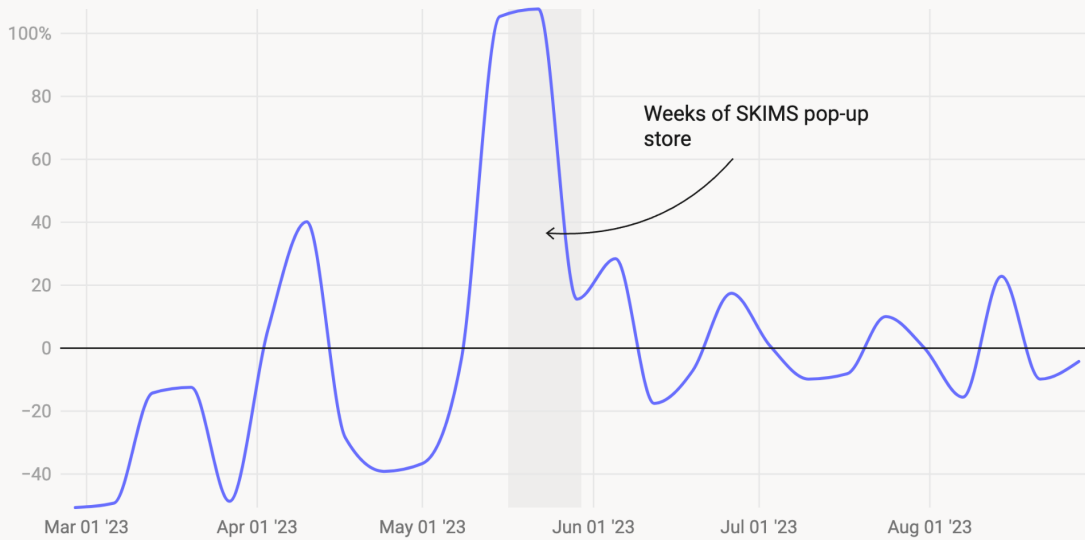
Kim Kardashian, [billionaire](#) media personality and businesswoman, launched her wildly successful [SKIMS](#) shapewear and clothing brand in [2019](#). The brand, which hopes to open its [first physical store](#) in Los Angeles in 2024, has hosted several [pop-ups](#) to significant success.

One way to assess the impact of pop-ups is to analyze the location intelligence data for the host venue. In 2023, SKIMS' [recent pop-up](#) at Rockefeller Plaza between May 16th and 29th drove a major traffic spike to the Channel Gardens in the Plaza, where the pop-up was located. The crowd that came out to check out the pop-up not only experienced SKIMS products first-hand and enjoyed an immersive brand experience – SKIMS visitors likely boosted visits at nearby businesses as well. And SKIMS location in the popular NYC hotspot meant that passersby who were in the area anyways also got exposed to the brand and its offering.

The Channel Gardens at Rockefeller Plaza traffic spike during the SKIMS pop-up underscores the mutually beneficial relationship between pop-up stores and their hosting venues.

Rockefeller Plaza's Channel Gardens See Visit Surge During SKIMS Pop-Up

Weekly Visits to Channel Gardens Compared to March - August 2023 Weekly Average



Digitally Native, Thriving Offline

While digitally native brands begin online, pivoting to physical retail locations can help increase reach across a wider customer base. And there are many different strategies that DNBs can employ to reap the benefits of physical retail including establishing large store fleets, strategically opening a few venues, or even just operating temporary pop-ups. Whatever the method, leaning into the potential of brick-and-mortar stores can help companies increase brand awareness, drive audience engagement, and ultimately sell more products.



Key Takeaways

1. **Brick-and-Mortar Stores May Help Chains Reach New Audiences:** Brands like Warby Parker, Vuori, and Alo Yoga have all expanded their offline reach among key audience segments over the past year. And the increase in these audience segments among the chain's visitors has been accompanied by rising visits to the chain overall, highlighting how offline stores help chains grow their consumer base.
2. **Retail Locations for Hyped Brands Bring in Visitors:** A few strategically located stores can also have a major impact on DNBs. Rothy's opened its first outlet store in San Francisco and drew in significantly more foot traffic than other footwear stores in the same outlet mall. The chain's visitors also came from farther away than other stores, highlighting the draw a popular online brand can have.
3. **Pop-Ups Can Help Hosts and Brands:** Through pop-ups, DNBs can also reap the benefits of an offline presence without the long-term investment of a permanent store. Many DNBs, such as SKIMS, experimented with pop-ups ahead of opening physical stores, driving plenty of brand engagement for SKIMS and traffic to the host venue on the way.