Exploring the Transition of India's Leading D2C Brands to Offline Retail Channels: Strategies and Implications

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Abstract

The Direct-to-Consumer (D2C) business model has revolutionised the retail industry by allowing companies to sell directly to consumers, doing away with conventional middlemen. The quick digital revolution, growing smartphone usage, and growing inclination for online purchasing have all contributed to the success of this strategy in India. However, a lot of popular D2C firms are branching out into offline retail, which is causing a big change. The causes of this change, the tactics used by these businesses, and its effects are all examined in this study report. The study used a mixed-method research technique, combining qualitative case studies with quantitative survey data. The results show that while offline expansion presents cost and inventory management problems, it also improves overall sales performance, customer engagement, and brand trust. In addition to providing insightful information about India's changing retail scene, this study makes strategic suggestions for companies negotiating the omnichannel retail market.

Keywords

D2C brands, offline retail, omnichannel strategy, consumer behavior, brand expansion, India, retail transformation

1. Introduction

The Direct-to-Consumer (D2C) model has completely changed the retail industry by allowing companies to communicate directly with consumers, bypassing conventional middlemen. Using social media marketing and digital channels to contact and interact with customers, this technique has been crucial to the success of many Indian companies. Nevertheless, a considerable change in company strategies is being brought about by the growing number of direct-to-consumer firms switching to offline retail, notwithstanding its benefits.

1.1 Evolution of D2C Brands in India

The Indian D2C sector has grown rapidly, with over 800 brands currently operating, and the market is projected to reach $60 billion by 2027. The rise of digital adoption, affordable internet access, and changing consumer

behavior have played a crucial role in fueling this growth. Brands such as Nykaa, Lenskart, Mamaearth, and boAt have successfully disrupted traditional retail by offering personalized experiences and data-driven marketing strategies.

Initially, D2C brands capitalized on low customer acquisition costs and direct feedback loops to refine their offerings. However, as competition intensified and digital advertising costs surged, many brands began exploring offline expansion as a means to strengthen brand trust, improve customer acquisition, and enhance omnichannel experiences. According to the International Council of Shopping Centers (ICSC), opening a physical store leads to a 37% increase in web traffic for a brand within the same market area, underscoring the interconnectedness of online and offline retail channels.

1.2 Why Are D2C Brands Expanding Offline?

The decision of D2C brands to expand into offline retail is driven by several key factors. Firstly, establishing a physical presence significantly enhances brand awareness and trust. Offline stores provide a tangible experience, allowing customers to interact with products firsthand, which builds credibility and strengthens brand perception.

Secondly, offline retail facilitates deeper community engagement. By hosting in-store events, workshops, and offering personalized shopping experiences, brands can connect directly with their customers, fostering stronger relationships and building loyalty. Thirdly, offline expansion opens doors to new customer segments. Many consumers still prefer the in-store shopping experience, and having a physical presence allows D2C brands to tap into this market segment that may not be as engaged with online channels. Furthermore, establishing physical stores in key locations enhances a brand's market penetration and visibility, increasing overall brand reach. Finally, offline stores typically boast higher conversion rates compared to online platforms. The ability to provide immediate product availability and personalized service often leads to higher sales conversions. When strategically integrated, the synergy between online and offline channels creates a seamless omnichannel shopping journey, offering services like in-store pickups, product trials, and personalized consultations, further enhancing the customer experience.

1.3 The Changing Retail Landscape

The retail industry in India is witnessing a fascinating transformation, where digitally native brands are redefining the traditional retail model by integrating online efficiency with offline customer experience. Companies such as Lenskart, Mamaearth, and Nykaa have already set a precedent by opening numerous retail outlets, enhancing their brand presence and customer engagement. By 2025, it is estimated that 25% of D2C sales will originate from offline channels, reinforcing the growing significance of physical retail.

This research aims to explore the strategic move of India's leading D2C brands into offline retail. It focuses on answering two key research questions:

RQ 1. What are the main drivers causing India's top D2C brands to shift from solely online sales to opening physical stores? This examines the reasons behind this transition, considering market, customer, and business factors.

RQ 2. How do Indian consumers' shopping habits and preferences change when D2C brands have physical stores? This looks at how customers interact with these brands offline and what they expect from the experience.

2. Literature Review

The transition of D2C brands from online-only to offline retail has been widely discussed in industry reports and market analyses. According to Bain & Company (2022), the Indian D2C market is expected to reach $100 billion by 2025, fueled by increased internet penetration and changing consumer behaviors. Despite this growth, many brands are recognizing the need to establish offline stores to enhance trust and improve customer retention (Inc42, 2023).

2.1 The Rise of D2C Brands in India

The D2C model eliminates intermediaries, enabling brands to optimize supply chains, maintain pricing control, and establish direct consumer relationships. The rapid growth of e-commerce platforms, digital payment systems, and social media marketing has accelerated D2C adoption in India. Reports by Avendus Capital (2022) indicate that 70% of Indian consumers are aware of D2C brands, and 40% have made purchases from them. However, despite their strong online presence, many brands have faced challenges related to customer acquisition costs and return rates, prompting them to explore offline expansion.

2.2 The Need for Offline Expansion

Several studies indicate that an omnichannel approach enhances customer trust, improves conversion rates, and boosts brand recall. According to RedSeer Consulting (2023), 40% of D2C brands in India now have an offline presence, and by 2025, 25% of D2C sales are expected to come from offline channels. The International Council of Shopping Centers (ICSC) (2021) highlights that opening a physical store leads to a 37% increase in online traffic for the brand within the same market, showcasing the complementary nature of online and offline channels**.**

2.3 Indian Examples:

Peachmode: Peachmode, initially an online-only fashion retailer, expanded into offline retail by launching flagship stores across key cities. This transition allowed the brand to provide customers with a tactile shopping experience, increasing brand loyalty and market reach (Peachmode, 2023).

Snitch: Men's fashion brand Snitch expanded into offline retail with six stores across Bengaluru, Vadodara, and Surat, planning 30 more locations. The brand reported a 50-60% conversion rate in offline stores compared to 3-4% online, alongside significantly higher AOV (Snitch, 2023).

Nykaa and Mamaearth: Beauty and personal care brands such as Nykaa and Mamaearth have also embraced offline expansion. Nykaa has established flagship stores across metro cities, integrating technology with personalized beauty consultations. Mamaearth, on the other hand, has over 1.7 lakh retail touchpoints and continues to expand its physical presence to strengthen customer engagement (Nykaa, 2023; Mamaearth, 2023).

These qualitative insights from case studies, market reports, and industry research highlight the necessity of offline expansion for D2C brands and provide a foundation for further investigation into their strategies and implications.

2.4 The Rise of D2C Brands in India

The D2C model eliminates intermediaries, enabling brands to optimize supply chains, maintain pricing control, and establish direct consumer relationships. The rapid growth of e-commerce platforms, digital payment systems, and social media marketing has accelerated D2C adoption in India.

2.5 The Need for Offline Expansion

The decision of D2C brands to venture into offline retail is not merely a strategic move, but a necessity driven by the evolving dynamics of the Indian market. While the initial success of these brands was built on the foundation of digital dominance, several compelling factors necessitate this strategic pivot.

Firstly, the online landscape has become increasingly competitive, with rising customer acquisition costs (CAC) and diminishing returns on digital marketing investments. As the market saturates, it becomes increasingly challenging for D2C brands to reach new customers and maintain profitability through online channels alone.

Secondly, the limitations of the purely digital experience become apparent for certain product categories. For instance, customers often prefer to try on clothing, test cosmetics, or experience the feel of home furnishings before making a purchase. These sensory experiences are difficult to replicate online, and a physical presence allows brands to bridge this gap and provide a more holistic customer experience.

Furthermore, the challenges associated with last-mile delivery and logistics in the Indian market have highlighted the limitations of relying solely on online channels. Issues like delays, damages, and high return rates can significantly impact customer satisfaction and brand reputation.

Lastly, building trust and establishing a strong brand identity is crucial for long-term success. While online reviews and social media presence contribute to brand building, a physical presence enhances credibility and legitimacy in the eyes of consumers.

In conclusion, the decision to expand offline is a strategic imperative for D2C brands seeking sustainable growth in the Indian market. By addressing the limitations of online-only models, leveraging the benefits of physical presence, and creating a seamless omnichannel experience, D2C brands can solidify their position in the market and navigate the evolving landscape of Indian retail.

3. Research Objectives

1. To analyze the factors driving the transition of D2C brands from online to offline retail.

2. To understand consumer preferences and behaviors regarding offline shopping.

4. Research Gap

While the success of D2C brands in e-commerce has been extensively studied, limited research explores their transition to offline retail. Most existing studies focus on traditional raetail models or digital marketing strategies, leaving a gap in understanding how digitally native brands navigate the physical retail space. The challenges associated with offline expansion, such as operational costs, inventory management, and pricing strategies, remain underexplored.

Additionally, consumer preferences regarding D2C offline stores are not well documented. While omnichannel retail is gaining traction, little is known about how customers perceive offline shopping experiences, product variety, and price differences. This study aims to fill these gaps by analyzing why D2C brands in India are expanding offline, how this shift affects their market performance, and the key opportunities and challenges involved.

5. Research Methodology

To comprehensively analyze the transition of India's leading Direct-to-Consumer (D2C) brands to offline retail channels, a mixed-method research approach was employed. This approach strategically combined quantitative and qualitative methodologies to provide a holistic understanding of the subject matter. Specifically, a descriptive methodology utilizing a survey method was implemented. A structured questionnaire, administered through Google Forms, was circulated among a sample size of 100 consumers. Given that younger

demographics constitute a significant portion of the D2C market, the survey targeted primarily individuals within the 18-25 and 25-35 age groups to ensure relevance and representativeness. The survey aimed to gather data on consumer shopping preferences, perceptions of offline D2C retail experiences, and their attitudes towards omnichannel integration.

Complementing the quantitative data, qualitative insights were derived from an in-depth analysis of case studies focusing on key D2C brands that have successfully expanded offline. These case studies included a review of company reports, market research articles, and relevant media coverage, allowing for an examination of the strategic decisions and operational challenges faced by these brands during their offline transition.

To interpret the collected quantitative data, statistical tools such as descriptive statistics, chi-square tests, regression analysis, and correlation analysis were utilized. These tools helped to identify consumer behavior trends and assess the impact of offline expansion on business outcomes. The integration of both quantitative and qualitative findings facilitated a robust and nuanced understanding of the evolving D2C retail landscape in India, providing valuable insights into the strategies and implications of this significant market shift.

6. Data Analysis and Key Findings

6.1 Descriptive Statistics: Key Trends in the Data

6.1.1 Age Group Distribution

Age Group	Count	Percentage (%)
18-24	46	46%
25-34	9	9%
35-44	11	11%
45-54	5	5%
55+	2	2%

Key Takeaway:

The survey showed that most participants were aged 18-24, indicating young consumers are highly engaged with D2C brands. Other age groups were less represented, suggesting a need for brands to reach older customers.

6.1.2 Shopping Preference

Preference	Count	Percentage (%)
Online	28	28%
Offline	13	13%
Both	30	30%

Key Takeaway:

A significant portion of consumers, 30%, expressed a preference for both online and offline shopping experiences, underscoring the critical importance of an integrated omnichannel strategy for D2C brands. While online channels still hold a dominant position, with 28% of customers favoring online-only purchases, the preference for solely offline shopping is notably low, at just 13%. This disparity suggests that D2C brands must prioritize enhancing their physical store experiences to effectively attract and retain customers who are not exclusively drawn to digital platforms.

6.1.3 Awareness of D2C Brands

Response	Count	Percentage (%)
Yes	63	63%
No	10	10%

Key Takeaway:

A substantial 63% of respondents reported awareness of D2C brands, indicating a strong level of brand visibility. However, a notable 10% remained unaware, suggesting a need for improved marketing strategies to effectively reach this untapped consumer segment.

6.1.4 Have You Visited a D2C Store?

Response	Count	Percentage (%)
Yes	47	47%

Response	Count	Percentage (%)
No	26	26%

Key Takeaway:

Nearly half of the survey respondents, specifically 47%, reported having visited a D2C store, which indicates a reasonable level of offline traction and suggests that these brands' physical locations are attracting a significant portion of their potential customer base. However, a notable 26% of respondents indicated that they have never visited a D2C store. This highlights a clear opportunity for brands to attract a larger customer segment to their physical stores through targeted promotions, exclusive offline offerings, and enhanced in-store experiences.

6.1.5 Did Offline Shopping Match Online Experience?

Response	Count	Percentage (%)
Yes, same experience	33	33%
No, offline was better	24	24%
No, online was better	15	15%

Key Takeaway:

A significant portion of respondents, 33%, perceived their offline and online experiences with D2C brands as similar, indicating a degree of consistency in brand representation across channels. Notably, 24% reported a more favorable experience in offline stores, suggesting that these physical locations are successfully creating unique and valuable customer interactions. Conversely, 15% expressed a preference for the online experience, highlighting specific areas where in-store engagement and service may require improvement to better align with customer expectations.

6.1.6 Perception of Product Variety in D2C Stores

Response	Count	Percentage (%)
Yes, same variety	37	37%

Response	Count	Percentage (%)
No, offline has fewer choices	30	30%

Key Takeaway:

A significant 37% of respondents felt that offline stores offered a comparable product variety to their online counterparts, suggesting a successful translation of inventory across channels. However, a substantial 30% expressed a perception of limited variety in offline stores, highlighting a critical area for improvement. This disparity underscores the need for D2C brands to prioritize enhanced inventory management strategies to ensure a broader and more appealing product selection in their physical locations.

6.1.7 Likelihood of Shopping Offline Again (Likert Scale 1-5)

Rating (1-5)	Count	Percentage (%)
1 (Least Likely)	15	15%
2	12	12%
3 (Neutral)	17	17%
4	18	18%
5 (Most Likely)	16	16%

Key Takeaway: A significant portion, 18%, of customers expressed a likelihood of returning to shop at D2C brand offline stores, indicating a degree of positive reception. However, a concerning 15% indicated a low likelihood of returning, suggesting that there are notable barriers or issues preventing a positive offline shopping experience for this segment.

Inferential Statistics: Hypothesis Testing & Analysis

6.2.1 Chi-Square Test: Does Age Group Affect Shopping Preference?

Chi-Square Statistic	P-Value
12.49	0.131

Interpretation:

The statistical analysis, yielding a p-value of 0.131, which exceeds the conventional significance level of 0.05, leads us to conclude that age group does not have a statistically significant impact on shopping preference within the context of D2C brands. This finding implies that D2C brands should prioritize the development of universal marketing and retail strategies that appeal to a broad demographic, rather than focusing on highly targeted approaches tailored to specific age segments.

6.2.2 Correlation: Does Visiting a D2C Store Increase Offline Shopping Likelihood?

Spearman Correlation Coefficient	P-Value
-0.012	0.916

Interpretation:

The statistical analysis revealed a p-value of 0.916, which is exceptionally high, indicating that there is no statistically significant correlation between a customer's visit to a D2C store and their likelihood of making subsequent offline purchases. This finding suggests that simply attracting customers to physical store locations does not inherently guarantee repeat business or foster customer loyalty. Consequently, D2C brands should focus on enhancing their customer engagement strategies beyond mere store visits. Specifically, the implementation of robust loyalty programs and the introduction of exclusive in-store benefits are crucial to incentivize repeat purchases and drive conversions within their physical retail environments.

6.2.3 ANOVA Test: Does Gender Affect Offline Shopping Likelihood?

c	P-Value
1.84	0.178

Interpretation:

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7. Findings & Business Recommendations

Key Findings:

The research indicates that D2C brands have achieved a high level of brand awareness, with 63% of respondents recognizing them, suggesting effective digital marketing strategies. While the younger demographic, particularly those aged 18-24, dominates the audience at 46%, age does not significantly influence shopping preferences. Although nearly half of the respondents, 47%, have visited a D2C store, this visit does not directly translate into increased offline shopping retention. A significant 30% of respondents perceive a lack of product variety in offline stores, highlighting potential inventory management challenges. Furthermore, 15% of respondents expressed a low likelihood of returning to shop offline, signaling a need for improvements in the in-store experience to enhance customer satisfaction and drive repeat business.

Business Recommendations:

To optimize their offline retail strategies, D2C brands should prioritize improving in-store product variety to better align with customer expectations. Offering offline-exclusive promotions can serve as a strong incentive for store visits, driving traffic and increasing engagement. Enhancing the overall in-store experience through robust loyalty programs and superior customer service is crucial for fostering repeat business. Given the significant preference for omnichannel shopping, brands must focus on seamlessly integrating their online and offline channels to cater to diverse customer needs. Finally, expanding marketing efforts to target older demographics will help balance the customer base and broaden market reach.

8. Conclusion

The transition of India's leading Direct-to-Consumer (D2C) brands to offline retail marks a significant transformation in the country's retail landscape. While the D2C model has thrived in the digital space by eliminating intermediaries and fostering direct consumer relationships, the limitations of an online-only presence have driven brands toward physical retail expansion. This shift is fueled by the need to enhance brand

trust, increase customer engagement, and provide an omnichannel shopping experience that blends online convenience with offline tangibility.

The research findings underscore the advantages of offline expansion, including higher conversion rates, increased average order value, and stronger consumer trust. The survey results indicate that a substantial proportion of customers prefer a hybrid shopping model, highlighting the importance of an omnichannel approach. Additionally, case studies of brands like Peachmode, Snitch, Nykaa, and Mamaearth illustrate how offline retail can drive business growth and improve customer experiences.

However, offline expansion comes with its challenges. High operational costs, supply chain complexities, and the need for effective inventory management pose significant hurdles for D2C brands. Pricing inconsistencies between online and offline channels and shifting consumer expectations further complicate the transition. To successfully navigate these challenges, brands must adopt strategic measures such as data-driven inventory planning, hybrid pricing models, and experiential store formats that enhance customer engagement.

As the Indian retail sector continues to evolve, the future of D2C brands lies in a seamless integration of digital and physical retail strategies. Brands that effectively leverage technology, optimize supply chains, and prioritize customer experience will be better positioned to sustain long-term growth in an increasingly competitive market. This study provides valuable insights for retailers, marketers, and policymakers, offering a framework for understanding and capitalizing on the ongoing D2C offline expansion trend.

Future research could further explore the financial implications of offline retail expansion, the role of emerging technologies in bridging the online-offline gap, and the long-term impact of omnichannel strategies on customer retention and brand loyalty.

The research findings underscore that offline expansion is a strategic move that enhances brand credibility, increases customer engagement, and improves overall sales performance for D2C brands. The study highlights key consumer preferences, demonstrating a strong inclination toward omnichannel shopping experiences. Offline retail provides unique advantages such as trust-building, higher conversion rates, and an enriched shopping experience.

However, brands must navigate challenges such as high operational costs, supply chain complexities, and pricing inconsistencies. Effective strategies, including hybrid pricing models, robust inventory management, and experiential store formats, can mitigate these issues.

As India's retail landscape evolves, a seamless blend of online and offline strategies will be crucial for D2C brands seeking long-term sustainability and market expansion. Future research can explore the financial

implications of offline expansion in more detail and assess the long-term impact on consumer loyalty and retention.

This study contributes valuable insights to retail strategists, policymakers, and business leaders, offering a roadmap for successfully integrating digital and physical retail strategies in India's dynamic D2C market.

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