Phygital Fashion and it's effects on the Fashion Industry

Muhammad Muzammil

Abstract: In recent years the fashion industry has been more welcoming and quicker to embrace new technology. This may be due to the damage the industry has faced during COVID-19, which led to a significant interest in the digital consumption of fashion by customers. As a result, businesses came up with a solution to the massive opportunity and decided to innovate and enter the new age of fashion, hence the emergence of phygital retail stores, which integrate both physical and digital experiences for the customers. This research explores the impact of phygital fashion innovation on many areas of the fashion industry as a whole such as profitability, brand loyalty and brand satisfaction as economies nowadays are experientially driven this can be proven through the framework of Maslow's hierarchy of needs, in days of old fashion was presented in a way that tells a story and gives a narrative which would connect to the consumers desire for personal growth and self-actualisation, however applying the Maslow's model to the current fashion industry we can see there is a shift that shows that fashion is marketed focusing more on fulfilling the customers personal growth and identity rather than just meeting the basic needs. This research will also investigate other aspects, such as fast fashion brands looking at a framework known as CBBE by Keller (1993) and further understand the Cifci et.al CBBE model (2016)

Phygital fashion, Phygital marketing, CBBE, Maslow's hierarchy of needs, fast fashion brands.

INTRODUCTION

Phygital fashion is an exciting new endeavour taken up by the fashion industry, which can be instrumental in the upcoming years as the industry enters its latest phase, "THE DIGITAL AGE." This can be said as more and more businesses, not only in fashion but worldwide, are moving towards digitalisation, such as e-commerce and a good social media presence. Following digitalisation, companies now must constantly innovate and stay competitive as they are fighting and competing on many turfs at the same time; hence, innovation leads to phygital stores. Phygital stores are a mixture of physical and digital resources that aim to provide the customer with an experiential service to gain their loyalty and affiliations towards the brand. The use of AI (artificial intelligence), VR (virtual reality), 3D design, and the Metaverse could be used to sell more products, which would be beneficial for businesses; moreover, it could build communities throughout the world while making use of sustainable business practices. The fashion industry has always been driven by creativity and innovation, but with the rise of digital transformation, it has become a space for technological advancements and disruption (Unay and Zehir, 2012). This phenomenon affects consumer habits in fashion consumption (Nannini, 2020). With the proliferation of digital technologies such as smartphones and shopping apps, customers have become more accustomed to seamless and integrated experiences across physical and digital channels (Le & Nguyen-le, 2020). For these digital transformation strategies and investments to be beneficial, fashion brands must measure the value they bring to the company (Kim & Ma, 2019). One way to do this is to identify the impact of digital transformation on customer perception of brand value (Kim & Ma, 2019). The brand equity framework by Keller would be suitable for explaining the benefits to customers and brands alike.

Literature Review

The Beginning:

The first-ever phygital retail store was introduced by Gucci in 2021 in collaboration with Balenciaga in a flagship store in MILAN, Italy. The process was simple as they had involved a physical space with a digital interface. For example, customers could use their phones to interact with digital installations, virtually try on products and access exclusive content available only online. They also launched a digital storefront that resembled the physical store and allowed virtual shopping for customers. Gucci was a true pioneer in identifying the new trend of Hybrid shopping providing an experience to its customers at a time of uncertainty and desperate need for innovation, many more brands have followed this approach and have provided their customers

with a similar service and ever since companies are implementing an omnichannel approach that takes advantage of both offline and online platforms to offer a smooth shopping experience (Ryu et al. 2019, 74–77). All these adaptations have made the fashion industry the number one e-commerce sector, with a 759.5-billion-dollar market value in 2021, which is expected to reach one trillion dollars by 2025 (Orendorff 2021).

Profitability

Using an omnichannel strategy can be highly beneficial according to research conducted by Boora & Kiran in 2018, the research shows a positive correlation between the application of an omnichannel strategy and business performance in terms of sales volume moreover, the business can save on costs of promotion as its target audience itself comes to the business and willingly accepts their data be collected by the business, leads to less spending on data collection and research as data would be collected every time the user uses the software hence the industry as a whole can become cost-effective and competitive with its prices, quality offered and experience provided. According to Elise Dopson of Shopify, the virtual fitting rooms market share will increase from $4.03 billion in 2022 to $14.87 billion by 2029 showing annual growth of 13.44%. A fashion brand by the name "Rebecca Minkoff" predominately sells high-end designer handbags, clothing and shoes have found that 65% of visitors are more likely to place an order after interacting with a product in AR (augmented reality).

Branding & Promotions

Companies nowadays operate in very competitive and saturated markets both domestically and internationally, it is harder than ever for companies to make a brand of themselves and build up an audience as they have more criteria to fulfil. Consumers demand more from businesses now than before and businesses must work harder to stay relevant and be accepted by the public.

> "Consensus builds brands"
>
> - Muhammad Muzammil

The quote above can be proven with the help of Keller's Customer-based brand equity model as the model specialises in building brands and providing businesses with better odds of success in their implementation of strategies.

Introduction To CBBE
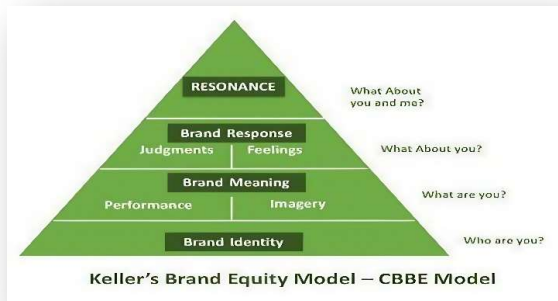
Keller's brand equity model takes a customer-centric approach, stressing the role of customer knowledge and perception in building brand equity. This model involves how customers identify, attain meaning, respond and create relationships with the business.

As effective as Keller's model may be, it is also outdated and Cifci's model is better suited for the digital world, where social media and customer engagement play a significant role in brand equity so using Cifci's model would be more suitable.
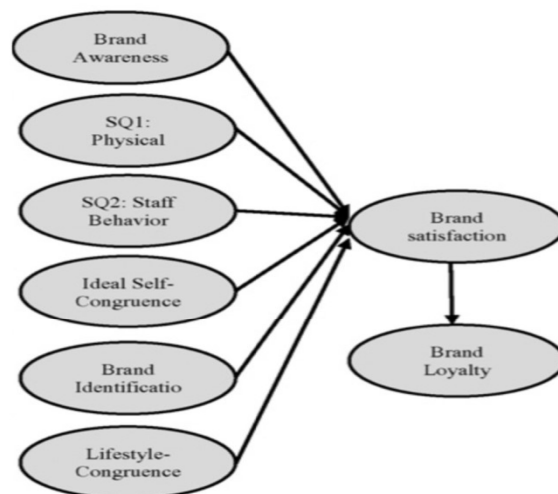

Figure 4: Cifci et.al CBBE model (2016)

CBBE and its Applications

Brand Awareness

This refers to a knowledge-based concept rather than just brand recognition, relating this to phygital fashion, customers may remember a store with virtual fitting rooms rather than the one without which leads to brand satisfaction and brand loyalty as illustrated by the diagram.

Service Quality 1: PHYSICAL

Refers to the perception created by the design, equipment, facilities and materials connected to the retail shop. A store's layout and arrangement can lead to self-service, elevate convenience and the overall customer experience according to Merrilees & Miller's study in 2001. Phygital retail stores may be more appealing as they have a greater purpose to serve than traditional retail stores and may attract more attention and leave the consumers with an unforgettable experience.

Service Quality 2: Staff Behaviour

Staff Behaviour refers to the competence, friendliness and responsiveness of employees of the business. The usage of technology can improve the staff's ability to serve the customers better and clear queries faster and more efficiently.

Ideal Self-Congruence

Refers to the extent to which the brand aligns with the consumer's ideal self-concept. The idea is to assess how well a brand employs digital technologies and how the advancements in technologies reflect on its customer's personal values, identity and aspirations.

Brand Identification

This part refers to how well and to what extent the consumer may express their social identity through brand association and consumption. Consumers like to be on the winning side and usually align and associate themselves with brands that have a positive reputation so businesses with a phygital store are more likely to showcase a positive outlook for the future hence customers would be more likely to associate with the business.

Lifestyle-Congruence

This refers to the extent to which brand consumption aligns with the customer's exclusive lifestyle and this will be reflected in their lifestyle choices. Achieving this objective will lead to greater rewards as the customer aligns with the business and becomes an extension of the brand itself. A business expanding its phygital stores with greater emphasis on technology may align with the consumer's lifestyle choice of staying up to date with new technologies and their implementation in practical scenarios.

There are many benefits of having built customer-based brand equity as customers who connect with your brand are highly likely to revisit in the future, Study conducted by BAIN & COMPANY states that a 5% increase in customer retention produces more than a 25% increase in profit.

<u>Maslow's Hierarchy of Needs</u>

According to Maslow, Humans by design naturally desire safety and have an initial need for survival, followed by the need for love and appreciation and finally esteem and self-actualisation. Each need is dependent on the previous one to be fulfilled. Maslow believed that engaging in creative endeavours such as attending a fashion show or reading a novel are foundational moments when a person can achieve self-actualisation as a person can only achieve self-actualisation when he realises when he is potentially.

Connecting with the phygital aspect the model is very revealing of the consumers and their demands, as many countries around the world are in a state of building their status to a developing country or are trying to build up from a developing country to a developed country hence basic and safety needs are met. Today the motivators people stem from a perpetual need for love and acceptance, self-esteem and self-actualisation. Fashion is a vehicle for self-expression and alignment with social groups (Huggard, 22), customers may feel a certain way about a business integrating technology with their physical services as these would align with the consumers and make it easier for the customer to find alike people and create fostering communities. The need for something new is a sign of the new generation and hence we are in an era of Metamodernism which requires and emphasises heavily on engagement, emotion and storytelling. So, this can be concluded that the environment plays a vital role in desired human needs moreover, humans are naturally driven by metamotives, Metamotivation drives and compels Individuals towards excellence and self-actualisation.

The rise of the internet combined with the wealth transfer from baby boomer parents to the millennials and Gen Z have largely fulfilled the basic level of needs which is the pinnacle motivation of consumer's behaviour choices, by taking into account the phygital locations which predominantly strive to deliver authentic personalized experiences could appeal to the consumer's inner pursuit for meaning and identity.