SIX

Executive Summary White Paper

Future of Brick-and-Mortar Commerce

The Shopping Experience of Tomorrow

Is there a future for traditional commerce and what does it look like? Why are more and more online retailers opening physical stores? And what opportunities are available to retail banks in the new shopping world? The SIX white paper "Future of Brick-and-Mortar Commerce" is dedicated to the future of brick-and-mortar shopping and offers orientation in an industry that is currently undergoing fundamental transformation.

"Brick-and-Mortar Is Dead. Let's Open a Store"[1] was the recent headline in the New York Times, summing up a discussion that has been going on for decades. It addressed nothing less than the future of the brick-and-mortar commerce, or rather whether it has one at all.

On the one hand, it has been observed for some time that one store closes after another in city centers – in Swiss German, this trend even has its own name: *Lädelisterben*. On the other hand, more and more companies, especially those from the online trade, are opening stores in prime locations. This therefore emphasizes the importance of a physical presence. Digital pioneer Steve Jobs launched the first Apple Store in 2001. Today there are 510[2]. Amazon[3], Google[4], Facebook[5] and many more are also experimenting with retail formats.

Is offline the new online? Why has the number of bookstores in the USA doubled since 2010? And how is COVID-19 shaping the shopping experience of tomorrow?

The SIX white paper "Future of Brick-and-Mortar Commerce" shows where brick-and-mortar commerce is heading. It focuses specifically on retail banks and the business opportunities that arise for them.

The white paper presents two scenarios for the future. The first, more likely, scenario assumes that brick-and-mortar sales will remain, albeit in a changed form. The second, less likely, scenario is based on the assumption that sustainability will become increasingly important in the consumer sector and that people will therefore shop in a completely different way than today. Both scenarios are envisioned for 2027–2030. You can find the summaries of these scenarios in the following.

More detailed information and in-depth descriptions can be found at: six-group.com/brick-and-mortar.

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1 https://www.nytimes.com/2019/11/18/style/bode-emily-bode-shopping-brick-and-mortar-is-dead-lets-open-a-store.html
2 https://www.apple.com/retail/storelist/
3 https://venturebeat.com/2020/10/30/hands-on-amazon-fresh-grocery-stores-tease-brick-and-mortar-retails-future/
4 https://econsultancy.com/google-hardware-popup-retail-experience/#:~:text=This%20year%2C%20for%20the%20third,be%20around%20until%20December%2031
5 https://www.facebook.com/business/news/bringing-the-brands-people-love-online-into-stores-this-holiday-season

Brick-and-mortar commerce refers to places that (1) are frequented by private individuals and where they (2) spend money. The infrastructure behind the scenes, such as warehouses, is not discussed here.

Most-Likely Scenario

Everything Is Better With 0s and 1s, but Not Everything Is Better in 0s and 1s, or: Nothing Beats the Real Thing

Overall, we expect that **40%** of global retail sales will be generated **online** in 2030, compared with 16% in 2019. But brick-and-mortar commerce will remain, **because sometimes nothing beats the experience in the real world**. Stores will survive especially if they offer fully immersive emotional experiences on-site *(shoppingtainment)* – be it a special interior, a tasting or selected events.

Whether the number of (physical) stores will decrease is, in our opinion, as open as a coin toss. What is certain, however, is that almost every (brick-and-mortar) retailer will need a **digital shop window**. The future will bring a degree of digitalization, convenience, speed and personalization to the "store near you" that goes far beyond what we know today.

The shopping experience almost resembles taking a walk, because **recording and paying for items works smoothly**. Own gadgets or cameras in the store scan how many pineapples were put in the shopping bag and which sushi was consumed and automatically trigger payment from the customer's digital wallet. The checkout accepts a wide variety of payment methods, from payment with one's own data to virtual currencies from online games, cryptocurrencies or credit from cell phones.

Sustainable consumption will develop from a small niche to an established niche market. Other consumers will continue to be primarily guided by price and the immediate personal experience when making purchasing decisions.

Potential Business Opportunities
Experiences Customers want surprising, novel, exclusive, Instagram-worthy, personal shopping experiences – pop-ups offer them. For a neutral, trustworthy player, there is therefore an opportunity to operate a **pop-up marketplace**. This could help real estate owners and tenants to monetize underutilized space – think of a bookstore that transforms into a yoga studio after sunset.

Smooth, personalized shopping. Consumers can go into a store, shop without a wallet, without a credit card, without even bringing anything with them and pay with their face, even if they have never been there before. For trustworthy market participants, this offers the opportunity to provide a **secure (virtual) safe** with **biometric data**, accessible from anywhere via a secure network. Another player could support stores with a **widely accepted self-scanning and self-checkout solution**.

Monitoring. The **digitalization of receipts** offers a business opportunity, because purchase receipts contain consumption data at the product level. Platform solutions can be built on this. For example, personalized product information, sustainability analyses or automatically generated overviews of one's own assets can be prepared. But solutions for companies such as an inventory overview or a better assessment of the creditworthiness of buyers and sellers for financial institutions are also possible.
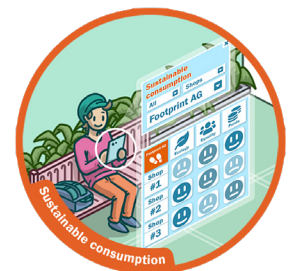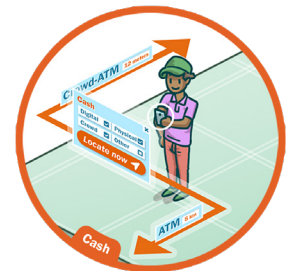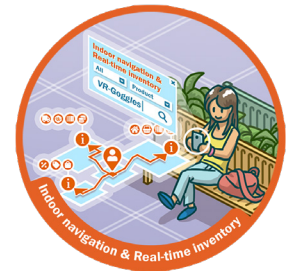
Cash. The greatest potential for cost reduction lies in **centralizing the operation of the Swiss ATM infrastructure**. This could reduce the number of ATMs by between 30% and 40% while maintaining the same coverage. Another cost reduction option could be to integrate people overall into the ATM infrastructure (crowd-augmented cash infrastructure), which would allow a further reduction in the number of ATMs without a major loss of coverage.

<div style="background-color:#E8541E; color:white; padding:4px 8px; display:inline-block;">Low-Likelihood Scenario</div>

The Sustainable Consumer

In many ways, there has never been a better time to live than in the 21st century. At the same time, however, we as a society perform poorly in many areas. Progress on equality is slow. There is a lack of economic security and prospects for young people. Many people are denied political rights. And the environmental situation continues to deteriorate.

In this second scenario, an **overwhelming majority of people** in developed countries **take into account the impact of consumption on sustainability** and do not easily choose the cheapest product or service.

What role do banks play in this scenario? Supporting people in sustainable consumption is **closer to the DNA of established financial institutions than it may seem at first glance**. First, banks have been helping people make consumption decisions for centuries by offering personal loans, insurance and payment solutions. Second, they have experience in helping investors make investment decisions by providing data and information as well as advisory services. This expertise can also be applied to the consumer sector. Third, banks have been generating sustainability data for investors since the 1990s. This wealth of data can also be used for consumption.

Potential Business Opportunities

Practically every consumer interested in sustainability is sometimes confronted with the situation that he or she lacks product information or that this information is available only at great expense. It is possible to operate a **platform for sustainability information**, with data on products, services, retailers and companies. Using standardized sustainability APIs, third parties can access this platform and integrate the data into their products or services.

Many basic attitudes and preferences of people can be derived from their digital activities and history. But not all of them. It would therefore be possible for a trustworthy, neutral player to operate a **sustainability cockpit** that stores consumer attitudes in the form of a set of rules and preferences.

Summary

In the world of tomorrow, visiting a store is a comprehensive experience, with technology relieving consumers of all tedious tasks. At the same time, "online" will continue to grow in importance, accounting for around 40% of global retail sales in 2030. Sustainability plays a role in almost all purchasing decisions – whether it will be the all-important factor remains to be seen.

Authors

Dr. Tobias Lehmann – *Lead Future Scenarios, SIX*

Daniel Steingruber – *Lead Banking Products & Platforms Innovation, SIX*