

THE STORY OF UNSTORING

THE END OF THE SHOP AS WE KNOW IT

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Executive Summary

Basically, stationary retailing is moving online. If the triumphal advance of the Internet continues, what will it mean for superstores, shopping centres and the corner shop as the Internet spreads out from the virtual world further and further into the physical world of retailing? The GDI Gottlieb Duttweiler Institute investigates how the classic point of sale can survive in the cyberspace age. How bricks and clicks can complement each other in a way that offers a future for stationary retailing. And, indeed, in the future what will a shop look like.

One of the first products to be sold on the Internet was a pizza. That was in 1994 and the provider was an international restaurant chain called Pizza Hut. One year later Jeff Bezos took up the idea of online retailing. He started by selling books online on amazon.com. The sales channel faced a wall of scepticism. Who in the world would order books online when they could buy them in a shop? Fifteen years later the answer is clear: lots of people, and more every day. A comparatively young trio of Apple, Google and Amazon are in the process of forcing 500 years of printing and its distribution channels to adopt new business models. This development is already in full swing in the music industry and has the potential to turn conventional retail upside down. The triumphal advance of the Internet and e-commerce is changing the way in which the world gets its information, exchanges views and ideas, and shops. There is no sign that this momentum is about to change. The launch of user-friendly Internet browsers in the mid-1990s triggered the race for ever cheaper and more powerful terminals; since then, the story of retailing has been an ongoing process of steady revision. Bypassing the shop.

Unstoring denotes a development that short-circuits the classic retailer. It is a future that could render shops superfluous – if they refuse to change. The reality is that digital technologies are increasingly part of the real world. The clear distinction between online and offline, between virtual and real, is blurring as the two universes merge. But what will happen to conventional shops when more people use the (virtual) pixel shopping cart than the conventional (real) wire cart? When sales migrate off the retail floor, it is time to reinvent the retail store.

To understand the future of the store it is necessary to keep its history in mind: since time immemorial the physical shop has fulfilled a role as a meeting place and centre of social contact. And you have to be able to interpret the immediate past: the first step in the trend towards unstoring was taken when globally active brands such as Nike and Samsung began to position their flagship stores to emphasise the shopping experience rather than sales and productivity per square metre. Since then, the world of the store is constantly being rethought in countless permutations. When online retailers strive to create a pres-

ence in the «real» world, when conventional, physical formats leave the high street to settle permanently in cyberspace, when sales formats converge in the so-called hyperlocal, the Internet-updated focus on sales counters in the immediate vicinity: who knows what the purpose of a store is today. Let alone tomorrow. What is clear is that the real and the virtual worlds are increasingly converging, complementing and caught up in each other. People are by nature sensory beings, and as consumers they will always rely on touch, smell and hearing. But they are also eager to use the innovations offered by Internet-based technology: comparing prices in advance at home; studying visual images of products and assessing how they match individual preferences; calculating follow-up costs; checking service plans; and processing the experiences and opinions of other consumers.

This can mean only one thing for the conventional retailer who has to deal with parking spaces and rent, business hours and labour laws as they apply to his employees: learn to distinguish between hype and evolutionary development, build on your existing strengths, stay up to date and literate in new technologies, and really understand your customers' needs. What are the existing models and where are trends heading? That is the narrative of this study of unstoring.

Experience shows that, as a rule, the impact of technological innovations is overrated in the short term; however, we also know that it is underrated in the medium and long term. The Internet evolution is a paradigmatic illustration of this: its wildly successful start was soon followed by the so-called dotcom bubble and subsequent stock market crash. Yet, while swooning stock prices may have caused a few years of anxiety in the real world of business, today virtually nobody would willingly give up the convenience and possibilities offered by the Internet. Smartphones are making it easier and easier for customers to shop with more and more autonomy. And when giants such as Apple, Google and Amazon reshuffle the cards behind tightly drawn curtains, retail needs to take note.

This study works on the premise that the «here» of the real brick-and-mortar shop will increasingly converge with the «there» of the web shop to create a «here and here». We concisely sum up the direction in which retailing may be headed in six theses.

1. Hesitate, and die

Retailers waste too much time wondering about the customers who enter their shops. Now shops are going mobile, using cell phones to get involved in their customers' time budgets and daily routine. This includes augmented reality, the computer-generated enhancement of perceptions of reality. Providers of mobile services trump their conventionally operating competitors.

2. Retailing is becoming a playground

The gaming industry not only makes billions, but also influences the way entire generations think and feel. The check-in function has interesting implications for retail. Customers inform their social community by smartphone that they are going to a specific shop. Others will want to copy the leaders of opinion check in at the same place. Those who check in a lot get a reward. The urge to gamble is as powerful (and exploitable) as the urge to hunt for bargains.

3. The clickable store

In the future every store will have a digital layer that links products, product range and virtual sources of additional information. As the number and range of new offerings increases, shops and their offerings will be increasingly easy to locate in real time. The tactile theatre of physical goods will be enhanced by the convenience factor that digital services already offer today. Retailers who fail to optimise their services will have a problem.

4. What can be digitised will be digitised away

Digitisation is unstoppable and will invade every industry. Cutting-edge technology is turning consumers into producers, into digital fabricators (fabbers). Consumers equipped with a 3-D printer can print their own mugs, glasses and plates. This is not a reassuring outlook for shopkeepers – unless the shop focuses on selling designs instead of products, installs a 3-D studio and becomes a better fabber than its customers.

5. The world is becoming one huge sales floor

The point of sale is moving out of the store. For instance, when consumers can click on, identify and buy any article – regardless of whether it is in a shop window, on a mobile phone screen or the back of a passer-by. Unless it is protected by a certificate of exclusivity. And that will arouse the covetousness of the new cyber nomad – in this respect he closely resembles the shopping Neanderthal.

6. No retailer lasts forever

In the past, the disappearance of retailers was, as a rule, a consequence of bankruptcy, takeover or closure because there was no one to carry on the business. In the future, shops will disappear because they are no longer needed. The generation that will do without shops is still growing up. For retailers who are in business today and want to be tomorrow as well, this means: stay alert; in the future no shop, whether online or offline, will be built to last forever.

Unstoring is already in full swing. For many years two parallel trends have characterised Swiss retailing: the number of Swiss retailers has steadily declined, and the sales area of the surviving shops has steadily increased. Although demand for more sales space is still strong in Switzerland, this cannot hide the fact that radical transformation is imminent. Looking beyond day-to-day business, the industry will have to pay much more attention to medium-term developments than was the case even two decades ago. The attraction of digitisation will force every retailer to rethink his business model, to refine it and adjust it to his customers' requirements. Or, to put it more harshly, the choice in retailing of the future is: sign on ... or check out.

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