

The End of Consumption as We Know It

When data makes
retail superfluous

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Executive Summary

HOW THE RETAIL INDUSTRY IS BEING PULVERIZED - AND WHO WILL COME OUT ON TOP

“Banking is necessary. Banks are not.” Bill Gates’ prediction for the financial industry in 1994 is prescient for the retail industry 25 years later. The terms “retail” and “department store” will become extinct, replaced by distribution platforms or technology companies. Physical stores full of stuff will become irrelevant; they will become entertainment centres enabled by technology. Strategies for marketing products will also change. People will still have basic physical needs to be satisfied by commodities, but how desire for these goods is triggered, how the supply chain delivers these products and how they get into the hands of the consumer are changing radically.

Imagining the future of retail as a linear growth of online sales (which will result in the extinction of a number of legacy store brands) falls far short of the mark. The entire retail industry is facing pulverization. This revolution is driven by the power of data and analytics, the Internet of Things (IoT), as well as by emerging disciplines typically unrelated to classic retail: artificial intelligence (AI), neurotechnology, augmented and virtual reality and new time/spatial experiences.

FROM DREAM TEAM TO STREAM TEAM

The music industry is a case study for the future of the retail industry. Music is still in demand and a healthy business; music stores have disappeared. The Dream Team that managed the music business from top-down control has morphed into the Stream Team. Today’s music consumers access, house and share files via streaming technology. The day of owning hundreds of vinyl and CDs is over (with the exception of serious collectors), and that’s what has basically wiped out the retail music business. Spotify, iTunes and Pandora changed a whole industry and this pattern can be applied to other industries, notably department store retail.

PEAK STUFF

Consumers in Western societies are living with an abundance of everything, rarely lacking for commodities. At the dawn of the new era of “Peak Stuff,” we will see the shift from possessing to using (we will define ourselves through our experiences not our possessions), augmented by access to smart services and immersive experiences – at low prices.

When the production of consumer goods shifts from the physical factory to the dream factory, the counter moves into people’s heads

At the same time, we will be immersed by products, services and infrastructures which seamlessly communicate with each other on the internet of anything (loAT). Evermore efficient systems, supported by 5G, will lead to the explosion of technologies such as ubiquitous 3D printing and the rise of the “prosumer,” the consumer who not only consumes goods, but who also conceives, produces and markets them.

THE MIND AS GAME CHANGER: WHEN THE BRAIN BECOMES POS

Neurotech is fundamentally changing the retail game. Our dependence on the internet, mobile phones, tablets and voice assistants will be replaced with a direct, wireless brain-computer interface. This shift will interlock the real and virtual worlds of consumption in such a way that digital products can be configured according to our individual wishes.

When the production of consumer goods shifts from the physical factory to the prosumer factory, the product experience will take place in the mind. The brain, with its highway of neural networks, becomes the point of sale (POS). This will create new opportunities and business models moving away from entertainment, games, education, learning, art and love to synthetic experiences, memories and dreams.

WEALTH OF DATA AS STRATEGIC POSITIONING FOR SUCCESS

An important cornerstone of impending radical change is the exponential increase in computing power, coupled with hardware innovations. Data is the new currency, the new oil. If we manage the growing volume of data and technological discoveries intelligently, we will attain an abundance of a new type of wealth: the wealth of data.

However, those unable to capitalise on data and new technologies will experience a new form of poverty: the dearth of data. Being data impoverished results in a potential loss of competitiveness. This is because the cost structures of the old-world industrial model are not sustainable.

Right now, we are at the beginning of a transformation which will lead to the displacement of consumption as we know it. The duration of this transformation is difficult to predict. But one thing is clear: The speed of change in this sector will never occur as slowly as it has in the previous 25 years. As the financial sector has mutated into FinTech, so has the redefinition of retail as RetailTech that connects products and services with customers enabled by technology.

If you want to do a reality check on the industry, please complete this sentence: "Retailing is necessary because ..."