



Commerce Report Switzerland 2022

Values and services in the focus of trade

Ralf Wölfle, Uwe Leimstoll



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15th edition of the E-Commerce Report Switzerland study series

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Preamble

This series of studies was based on research that draws directly on the experiences of the companies and the considerations of decision-makers.

Our vision with Planet: develop a holistic platform for connected commerce – enabled by the merger of software, payment solutions and technology.

Personal interaction is becoming even more valuable in a world of digitalised services.

Still confused but on a higher level

The bon mot of confusion on a higher level is attributed to various authors, including some professors and a Nobel Prize winner in physics. The readers of this study report, the contributing experts in the study panel, the sponsors, the authors and we as partners for online retailers can therefore consider ourselves in good company when we seek guidance in a complex world without demanding definitive answers.

The E-Commerce Report Switzerland study series was designed to serve this purpose. Since 2009, it has been investigating the potential and effects of digitalisation on sales to consumers. In 2009, it became apparent that e-commerce would not remain a marginal segment. In 2020, the E-Commerce Report Switzerland became the Commerce Report Switzerland. This 15th edition concludes the study series in the knowledge that the internet has changed and will continue to change distribution in its totality and in all sectors. How exactly and what this could mean for the years to come was the topic of many intensive discussions with the study participants this year. The results and reflection on and interpretation of them by the authors are summarised in this report. They cannot predict the future, but they can point out trends and convey ideas that will give guidance to stakeholders and decision-makers in the areas concerned.

Change of epoch for Datatrans too

In November 2021, we announced a successful merger with Planet, the solution vendor for connected commerce. The combined company operates in over 120 markets and employs more than 2,500 people worldwide. In addition to Datatrans, this includes four renowned software companies from the hotel and retail sectors: Hoist Group, protel hotelsoftware, Proximis and avantio. The joint goal is to deeply connect payment solutions with industry-leading cloud software in our core markets, including retail, hospitality, and financial services.

The key elements of Datatrans's success to date will remain in place even after the merger with Planet. These include the freedom to choose the acquirer, trusted contact persons in customer support, fast response times and service at the highest level. Our goal is and will remain the same - to ensure that customers can always put together the best solution for them with us.

Further development through dialogue and exchange

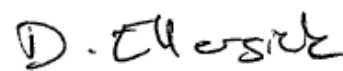
As the sponsor of this series of studies, we want to contribute to the sustainable further development of Swiss retail. The practical relevance of the study is particularly important to us. We are therefore delighted that a considerable number of well-known designers from the networked trading world have been involved in this form of exchange with their participation in the study panel. It is your open and authentic statements that have given this study its informative value – thank you very much for this!

This year's study was carried out according to the proven methodology developed and refined over the years by the two authors of the University of Applied Sciences in North-western Switzerland. We would also like to thank them for their usual professional and pleasant working relationship.

Zurich, September 2022
Datatrans AG



Thomas Willenborg
CEO, Datatrans



Daniel Ellersiek
COO, Datatrans

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Carrier of the study



This study series is being produced by the e-business team at the **FHNW University of Applied Sciences and Arts** Northwestern Switzerland, which is AACSB accredited. The team has many years of experience in conducting studies and moderating cross-company specialist groups. With regard to the Commerce Report Switzerland, the university is particularly concerned about the confidential handling of participant information. The study concept focuses on cross-company statements on sales to consumers trends in Switzerland under the impact of digitalisation.

E-Business is a focus of competence of the Institute for Information Systems at the FHNW University of Applied Sciences and Arts Northwestern Switzerland. In the foreground of applied research and development as well as service projects is the perspective of management, which is entrusted with the conception and realisation of e-business benefit potential. Integrating strategy, business processes and IT is a focal point in terms of content.

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Further information on the study series: www.commerce-report.ch

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List of study participants 2022

Table 1: Members of the Study Panel for the Commerce Report Switzerland 2022

| Company | Person and function |
|--|--|
| ALDI SUISSE AG | Jérôme Meyer, CEO |
| Beliani GmbH | Stephan Widmer, CEO |
| Betty Bossi AG | Lars Feldmann, CEO |
| BLACKSOCKS SA | Samy Liechti, CEO |
| BRACK.CH AG | Marc Isler, CEO |
| Carletto AG | Peter W. Gyga, CEO |
| Confiserie Sprüngli AG | Tomas Prenosil, CEO, President of HANDELSVERBAND.swiss |
| Coop | Philippe Huwyler, Head of coop.ch |
| DeinDeal AG | Allen Krief, CEO |
| Ex Libris AG | Daniel Röthlin, CEO |
| Farmy AG | Dominique Locher, Board of Directors |
| Meta (Facebook Switzerland Sàrl) | Silvano Senn, Client Partner Fashion, Luxury & eCommerce |
| Flaschenpost Services AG | Dominic Blaesi, CEO and co-founder |
| Franz Carl Weber AG | Roger Bühler, CEO |
| Genossenschaft Migros Aare | Mario Runco, Head of Corporate Development |
| Geschenkidee.ch GmbH | Maud Hoffmann, CEO |
| Hotelplan Suisse (MTCH AG) | Nicole Pfammatter, CEO of Hotelplan Suisse |
| Interdiscount (Coop Genossenschaft) | Pierre Wenger, Company Manager Interdiscount microspot.ch |
| INTERSPORT (Schweiz) AG | Patrick Bundeli, CEO |
| microspot.ch (Coop Genossenschaft) | Pierre Wenger, Company Manager Interdiscount microspot.ch |
| Migros Online AG | Kathrin Tschannen, CEO |
| Möbel Pfister AG | Marcel Schaniel, Head of Digital Business/Corporate Development |
| ON AG | Markus Büchel, Head of Digital Marketing |
| Orell Füssli Thalia AG | Pascal Schneebeli, CEO and delegate of the Board of Directors |
| PCP.COM Group (PCP.CH AG) | Malte Polzin, Managing Director STEG Electronics/PCP.CH AG |
| PKZ Burger-Kehl & Co. AG | Reto Senti, Chief Digital Officer PKZ Group |
| Ricardo AG | Francesco Vass, CEO |
| Swiss Commerce Group | Friederike von Waldenfels, Strategic projects, co-founder |
| Tally Weijl Trading AG | Beat Grüning, CEO and co-founder |
| TUI Suisse Ltd. | Erich Mühlemann, Chief Distribution Officer |
| VELOPLUS AG | Dominique Metz, CEO |
| Victorinox AG | Sebastian Paul, Head of Digital Commerce |

Management Summary

The Commerce Report Switzerland is a series of studies started in 2009. It examines the influence of digitalisation on the development of industry structures and business models for the sale of products and services to private consumers. This 15th report is the result of a comprehensive survey in spring 2022 of 32 potentially market-defining e-commerce and multichannel providers in Switzerland (Table 1). The results are mainly derived from the statements of the experts on the study panel. Chapter 9 describes the methodology.

2021 – the second exceptional year of covid-19

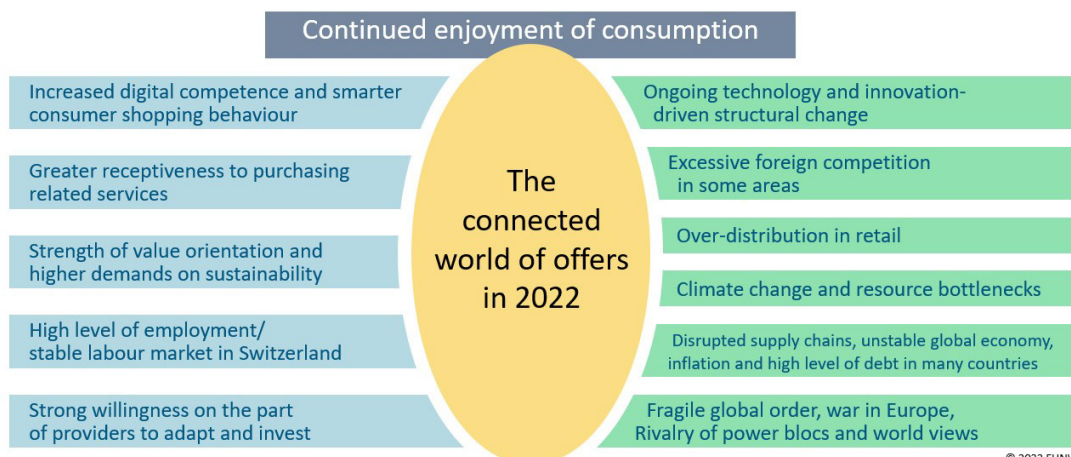
In 2021, the second year of covid, Swiss retail as a whole experienced a third record year in a row with an increase of 3.2%. For the first time, it exceeded the 100 billion franc mark. Taking e-commerce sales under the .ch domain into account, the figure of CHF 90 billion is only on par with 2011, ten years earlier. Overall, e-commerce grew by 9.9% to CHF 14.4 billion in 2021. This roughly corresponds to the growth rates of the three years prior to the pandemic. With online growth of 27%, 2020 is proving to be a unique e-commerce booster year. The share of foreign online providers stagnated in 2021, meaning that their market share fell for the third year in a row.

Start of 2022 – entering the new normal

The sales figures for the first half of 2022 are now available: at GfK Markt Monitor Schweiz, the data from a panel of 60 significant companies showed a decline of 5.7% compared with the first half of 2021. The Swiss Distance Selling Market Monitor, which is based on around 100 registered providers, reports a decline of 6.1%. When evaluating these figures, it must be remembered that there was a lockdown in the first half of 2021. Compared with the first half of 2019, the 2022 figure for the overall market was about 5% up, and a whopping 47% in the case of e-commerce. In the long-term comparison, the level remains very high.

The fact that normalisation would initially begin with a setback came as no surprise to many study participants. So far as e-commerce is concerned in 2022 as a whole, a clear majority is expecting growth again.

Fig. 1: The general conditions for sales to consumers in 2022



Change of epoch and outlook until 2030

The pandemic was a turning point for the whole of humanity. In the consumer goods industry, it marked a change of era: the traditional debate about stationary versus online vanished. For consumers, it is about getting the maximum benefit in the connected world of offerings. Whereas for providers it is about adapting positioning, perhaps even about surviving. Structural change has crept in over the years and is now accelerating. This study report attempts to outline what impact this could have in a near-term perspective until 2024 and in a longer period until 2030 – under stable economic conditions. Fig. 1 provides an overview of the currently most important circumstances.

Within the sector, there are three main trends that are changing the industry:

1. The advancing, technology-driven dissolution of traditional role models has led to over-distribution, particularly in retail, which is forcing many providers to reorient themselves
2. Direct sales of brands and manufacturers have become normal and require more closely coordinated, and also a better-paid, cooperation with retailers
3. Digital platforms are continuing to expand their role in consumer goods distribution

In addition, there are external factors, including the stronger value orientation of customers, employees and the public, and the likely prolonged upheavals in the global division of labour in production and logistics.

Despite increasing consolidation, the world of supply could be even more diverse in 2030 than it is today. Digitalisation is facilitating success in niche segments that meet increased value and service-oriented demand. The goods themselves will be more expensive than they are today. Probably fewer will be purchased, but they will be more valuable. Two tasks are gaining in importance for providers: operating the business on behalf of consumers with a contemporary approach to value and combining sales with needs-oriented services.

Retail is focusing on values and service.

Assessment of the situation after two years of COVID

Both Swiss retail as a whole and e-commerce will remember both 2020 and 2021, which were shaped by the COVID-19 pandemic, as extremely challenging years. However, the two-year period was exceptionally strong in terms of sales from a cross-industry perspective. The exceptional economic situation will end though in 2022: consumers are spending more on travel, food and experiences, leaving less for consumer goods. But in the long term, the qualitative changes brought to the market by COVID will become more important. They would probably also survive an economic slump, which is not expected but cannot be ruled out in 2022. By a large majority, the study participants confirmed the characteristics underlying the interpretation of a change of epoch in the last issue of the study: consumers have made a huge leap in mastery when using digital services for their purchases. They do not want to do without them now, even after the coronavirus pandemic. Day-to-day operations are also more flexible thanks to the permanently more flexible forms of work – they have resulted in more diverse purchasing requirements. Depending on the situation, customers sometimes choose a stationary channel, other times an online channel, and combine these smartly within a single shopping process if it proves the most useful for them.

Apart from the increased competence, the increased expectations of sustainable and value-oriented trading are considered to be the most significant change among consumers. However, the trend is not only related to consumption, since employers also have to address the issue. Psychology helps show why most people reveal mismatches between their beliefs and behaviours.

The importance of the change of epoch for providers

Most providers have quickly recognised the change in epoch, are investing, and are now working hard on expanding their digital expertise. Laggards also want to be digitally accessible and be able to interact with their customers. This will also require increasing digitalisation in the companies themselves: more and more work is being done to set up basic functions in the form of automatable, digitalised services for internal and external users.

But the most important prerequisite for success during the structural change occurring in the currently particularly dynamic world is the mindset as well as the approaches of companies as they develop and advance their positioning. It is therefore less important whether a company was originally primarily focused on stationary or online. Seven paradigms that characterise mindset have been identified and made clearer in the interviews. They begin with access to customers, they address the importance of thinking in digital services, and they see a need for continuous improvement and innovation. Finally, the company's own organisation is addressed at four levels, from cooperating in external partnerships to employees. The importance of the employees and their ability to survive in the given dynamic is seen by the study participants as the most important success factor.

Over-distribution, displacement and consolidation

At the heart of this series of studies is the development of distribution to consumers under the influence of digitalisation. Reflecting on the development of recent years, it is noticeable that the size and variety of the range of products on offer to consumers has continued to increase, as has competitive pressure among suppliers. The reason for this is rampant over-distribution. This is due to the reach of the Internet and has experienced another boost with the change of era. Whereas stationary stores only serve a regional audience, a single Galaxus website is open to all potential department store and specialist retail customers. A single online provider can replace countless retail outlets, but only as long as it can attract customers its channel. Conversely, a stationary retailer may have the advantage of being the only provider with a retail outlet in its region, while Galaxus is always in competition with all other online providers. Over-distribution means that there are too many offers across channels that do not differ significantly from the customer's perspective. This usually leads to a fierce price war. Fewer of these offers are needed, which means fewer stores and online stores.

This is not good news for individual providers, whether they are traditional or primarily online, as the question about supplier concentration did not produce any positive results either: 80% of respondents expect consolidation to continue. It is increasing in many industries with comparatively few online marketplaces and strong online stores in conjunction with Google and other players that are important for access to customers.

Diverse purchasing needs

On the other hand, the study participants also expect a diverse world of offerings in a horizon up to 2030. Besides a few very large providers and marketplaces, many small, focused, or regional product and service providers are also anticipated to have a place here. What can this variety bring about? A starting point for the answer is the finding that customer value orientation has increased and openness to services related to purchases has gone up. Accordingly, more variety could arise from the fact that retail, which is largely geared towards physical product distribution, is focusing more strongly on value orientation and needs-oriented services. This is at the heart of the traditional self-image of retail, but is intended to go beyond the logistical functions of retail!

Value and service-oriented market segments

To differentiate between the market segments derived from the value and service-oriented demand, the market was mentally divided into two segments, although in practice these cannot be differentiated. Segment 1 stands for the traditional consumer goods market, which is primarily functionally geared towards the products themselves. This represents today's international market for mass industrial products, where supplier consolidation is increasing and economies of scale are one of the most important factors for success. Segment 2 stands for a primarily value and service-oriented market segment in which the product is only part of an overarching service.

Compared with a product from segment 1, this service contains an additional service component that is decisive for buyers. The additional service component can be based on a product from segment 1 as a service, for example as a fast delivery service for foods that are spontaneously needed.

Diverse potential for differentiation

Segment 2 offers need differentiators that make the difference for buyers to purchase higher than the lowest price. The report covers many different examples of opportunities for differentiation. One group covers opportunities that tie in with the identity of the target customers, such as lifestyle offers. A second group is about value-oriented product and range features, as there are many options for product-service combinations. The latter are tailored towards the convenience of the shopping, to a specific customer situation, or to leisure-shopping combinations. A short commentary deals with the much-discussed topic of quick commerce.

Segment 2 offers opportunities for providers who are forced to reorient themselves due to over-distribution. With some providers, segment 2 is already quite well developed, at least in some areas. However, the services are often only seen as an ancillary service. Many suppliers find it difficult to rethink from product to overarching value or service.

It is obvious that the economic potential of many areas in segment 2 boils down to niche segments, a mass of niches. This does not mean that they would be reserved for small providers: combined with the cost benefits of bulk business, they can also provide promising diversification for large companies.

Provided that the general social and economic conditions in Switzerland remain stable, the study participants expect an increasing market share for offers geared towards value and service-oriented demand segments. A quarter of participants can even imagine a market share gain of 20% by 2030 at the expense of the price-focused segment.

In addition, there are other drivers for the diversity of the future world of supply. These include the brands' direct sales channels and social media platforms, which communicate offers to prospects in their own unique way.

New distribution with the customers at the centre

Traditionally, distribution is viewed as a linear chain. This has long ceased to mirror reality. The traditional role models have dissipated in the structural transformation and numerous new paths have emerged to divide up value creation among several participants. Another deficiency of the traditional image is that digital platforms do not appear in it at all, even though they play an important role today.

The large variety of constellations has resulted in competition between distribution systems in addition to competition between the individual companies. Which concept is superior – the split distribution chain or the vertically integrated provider?

During the course of the study series, a new picture of distribution has emerged which focuses on customers and represents the most important real and digital players. This picture serves as a starting point for discussing the different roles and the most important developments with regard to future development.

Every channel has its challenges

What concerns a lot of people is the future of stationary retail. It is plagued by a plethora of trends that will continue to erode its importance in the coming years. The over-distribution that threatens many businesses has already been mentioned. However, this does not represent a general verdict against retail stores. There will still be large numbers of stationary stores in 2030, especially local supply formats for everybody's daily needs. There are only certain combinations of operating models and locations that will work, and others that will gradually disappear. The retail business is no longer the focus of consumer goods sales. It still represents an important touchpoint, but one amongst many. This also applies to inner cities, which in the past were mainly populated by people who shopped at the local businesses. These are also now trying to reinvent themselves. Proximity still remains a strong argument. But who else wants to ride a bike to the city only to find out that what they are looking for is not available? Public spaces, as places where people like to be and where things are happening, have never been in greater demand. Leisure and consumption are closely linked, while experience and inspiration with all the senses will still prove far superior to digital experiences. Each location must find and maintain its own identity.

Traditional retail has been trying to connect to the online retail world with omnichannel concepts for around 15 years now. Despite massive efforts and selective successes, many concepts are unlikely to exist in their existing form by 2030. We have not yet found out what customers will really perceive as added value, and what will generate sufficient revenue at the same time. With low margins, a trading margin alone is becoming less and less a justification for the huge efforts expended.

Online-only providers find it easier to adapt to rapid market changes. Their biggest challenges are gaining access to customers at sustainable costs, and the competition with large online marketplaces. The latter play a more or less dominant role, depending on the sector. Many people are certain that they will continue to gain market share in the coming years.

A lot of movement is going on with customer access providers, especially among social media platforms. They stand at the threshold of the retail transaction. Many are wondering whether these platforms will remain true to their original role, keeping people's exchanges with each other, and keeping the providers in focus. This is because values, culture and services that companies would like to differentiate themselves from can barely be represented on marketplaces. Other platforms are needed to live up to the old vision from 1999: Markets are conversations [1].



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On the 15th and final edition of the study series

The mission of the E-Commerce Report Switzerland study series was to provide guidance. Guidance is necessary for finding your own position in the world and being able to help shape it to the best of your ability. Around one hundred experts contributed in often challenging interviews to capture and reflect on the development of consumer sales across fifteen study reports - some of them over many years. The authors would like to take this opportunity to thank them very much!

We no longer fetch the water from the well, it comes to our home. The mental concept of shopping could fundamentally change.

Christian Wanner, Le Shop, 2009

Many big changes are almost impossible to grasp at the time they occur. The two quotes opposite are the first and second quotes from the first study report in 2009. Today, we can no longer imagine a life in which we take the water from the well for granted. Can we imagine a life without a smartphone? On 11 July 2008, ten months before the first edition of the study, Swisscom opened its store on Zurich's Füsslistrasse at midnight to sell the first iPhones in Switzerland. The internet had become mobile. Very few people recognised the significance of this event back in 2008. The thesis that a change of epoch in consumer goods distribution has been triggered by coronavirus is no different. It is only with the passing of time that this will either become evident or the idea will fade into oblivion.

There are further parallels between the time of the first edition of the study and this last one today. Seven months before the publication of the 2009 report, UBS had to be saved from bankruptcy. The full extent of the global financial and economic crisis started to become apparent, even in Switzerland. Seven months before this year's edition of the study, Russia marched into Ukraine. We do not know what the consequences of this will be. Just as in 2009, we live in enviable conditions and yet are still full of concern, and not just because of the war. However, the study panels of 2009 and 2022 agree that e-commerce will be less affected by the crisis than other sales channels. Its market share – as a symptom of the ongoing structural change in distribution – will continue to grow.

E-commerce is a slow revolution.

Rolf Engel, Hotelplan Suisse, 2009

This study report is divided into three parts:

1. Part 1 provides an **annual assessment of the situation**, similar to last year's barometer edition. 2021 has been measured on the basis of available market figures and classified over the course of several years. It summarises how the companies have performed and what expectations they have for 2022 and the near future up until 2024. Current trends are described in six thesis and evaluated on the basis of the assessments of the study participants.
2. Part 2, like last year's focus edition, focuses on the **interpretation of current market events and their consequences for the future of distribution**. First, the results of the previous year, the image of the change of epoch and the right mindset are reviewed as a success factor. In the diagnosis for the current market situation, *overdistribution* is identified as a key term. It is compelling vendors to differentiate themselves and a variety of options for doing so are shown. The findings for the year 2022 are that Retail is focusing on values and service.
3. Part 3 conclusively describes the **image of the networked trading world** that emerged during the course of the study series. The focus is on the new image of distribution with consumers. Each role and different types of collaboration are described. Strengths and weaknesses from today's perspective are discussed, supplemented by considerations for future trends in an outlook up to 2030.

The depth and breadth that characterise the reports in this series of studies are both a strength and a weakness. For those who want to quickly get up to speed on the most important things, a few sentences are devoted to the most important statements at the beginning of each chapter.

Part 1: assessment of the situation

Part 1 is used **for the annual assessment of the situation**. It recapitulates on the trends affecting the consumer goods sector in 2021, mainly from the experience of the study participants. This is then followed by the expectations for 2022, a classification of the trends in the first half of 2022 and the quantitative expectations for the three-year period up to 2024. Six thesis on current trends are then discussed, three of which are the effects of the coronavirus pandemic.

1 Review of 2021, outlook and trends from 2022 up to 2024

2020 marked the start of a series of turbulent years that also shaped 2021 and will continue to shape things for the time being. This is also shown by the **market figures**. The most important for 2021 are listed below and classified over the course of several years.

1.1 Numbers-based assessment of the situation for the industry

- This chapter explains which data sources are used for which purpose.

This unsettled period, which brought hardship and cheer to the consumer goods industry as early as the start of the first year of coronavirus, continued into 2021. This will make it difficult to gain an understanding as to how the market is doing and what to look out for. The aim of this chapter is to provide this understanding, which is primarily a quantitative classification. This is partly done by selecting from the many available studies that provide data that fits the objectives of the study.

In this series of studies, **Swiss vendors** are particularly interested in how they can hold their own in the networked trading world and how the **shifts between traditional trading channels and online channels** are developing. To investigate this on the basis of quantitative market data, the data series published by GfK Switzerland and HANDELSVERBAND.swiss (Swiss trade association) for 14 years [2] are used. Besides 2021, the coronavirus-dominated unprecedented years of 2020 and 2021 as well as the five-year period from 2017 to 2021 are also examined for comparison.

Exceptionally successful years in terms of sales

- In 2021, Swiss retail achieved record sales of CHF 102.3 billion.
- In the three years since 2019, Swiss retail has grown by CHF 6.8 billion.
- E-commerce grew by almost 10% in 2021 compared with 2017–2019.
- 2020 was a unique booster year for e-commerce, with a growth of 27%.
- Foreign e-commerce vendors stagnated and lost market share.

Three record years for Swiss retail as a whole

For the assessment of the sales trends of the retail trade as a whole, reference is made to the data series contained in the GfK publication based on the sector index published by the Federal Statistical Office BfS [3]. This data covers sales across all sales channels in Switzerland, including e-commerce sales from Swiss vendors. With sales of CHF 102.3 billion, 2021 was the **strongest year ever for Swiss retail** [4]. The market grew by CHF 3.2 billion or 3.2% in just one year. 2020 and 2019 follow in second and third place after 2021. In the ten years before that, retail had practically stagnated. Nobody expected three record years would follow. CHF 6.8 billion in sales were posted between 2019 and 2021, with the market growing by 7.1%.

According to BfS, the winners among the large product groups were *food and beverages* [5]. Never before has so much money been spent on each of these in consecutive years as in the last three years. Conversely, the *clothing and footwear* segment fared the worst. Since 2000 at least, the last four years have been the weakest in terms of turnover, with 2020 marking the low point.

In 2021, some stationary retailers near the border had their best sales in the last 10 years.

Peter W. Gygax, Carletto

2021 was success as usual for online and distance selling

2021 got off to a bumpy start, but we finished on a high.

Samy Liechti, BLACKSOCKS

2021 was a year of declining sales – but it was the second best year in our company's history.

Allen Krief, DeinDeal

Online and distance selling also set a new record in 2021 – as has been the case every year since online selling began 25 years ago. According to figures from GfK Switzerland, HANDELSVERBAND.swiss and Swiss Post, CHF 14.4 billion worth of goods were ordered in 2021 in online and distance selling to recipient addresses in Switzerland [6]. The volume rose by CHF 1.3 billion, an increase of 9.9%. 2021 was not an exception to this growth rate. In the three years 2017 to 2019, average growth was 9.7%. The big exceptional year in e-commerce was 2020, when e-commerce jumped by 27.2%. The reason for this is believed to be the multiple effects of the sudden mobility restrictions during the coronavirus pandemic. The consumer goods industry as a whole benefited from budget shifts from the travel and experience sectors, while online vendors benefited disproportionately. This made 2020 a **unique booster year** for online and distance selling [7]. However, in 2021, when a new lockdown began in mid-January, this had far less of an impact than in the first lockdown of spring 2020.

Comparing the value of Swiss online orders at home and abroad of CHF 14.4 billion with the total volume of Swiss retail of CHF 102.3 billion, **online orders** have a **share of 14.1%**. In 2020, this figure was 13.2%, in 2019 10.7% [4]. This value also varies depending on the industry, with food still below 4% and the non-food market at around 18%. According to GfK panel data, the home electronics segment at 50% and the fashion/shoes segment at 30% [8] have the highest online penetration.

Importance of foreign online vendors in 2020 and 2021

It has been observed that low-cost vendors with Chinese products completely collapsed during the pandemic years.

Study participants

The CHF 14.4 billion in online and distance selling in 2021 includes orders in the amount of **CHF 2.1 billion from foreign vendors** [9]. The figure is unchanged from 2020 and only 5% higher than in 2019. In contrast, the Swiss online market grew by 40% in the same two years. The market share of foreign e-commerce vendors has therefore fallen significantly. Disproportionately big losers include vendors such as Aliexpress andWish with their low-cost products from China, the growth of which was still very worrying for Swiss vendors between 2015 and 2019.

Online orders from foreign vendors that Swiss consumers have sent to a **pick-up point near the border** and then bring into Switzerland themselves are not included in the above figures. With shopping tourism picking up again in 2021, i.e. physical shopping by Swiss people abroad who then import the goods themselves, orders at pick-up points close to the border are also likely to have increased again. Based on pre-pandemic figures, the value of these orders for 2021 can be estimated at CHF 200–250 million.

During the pandemic, stationary and online purchasing power has largely stayed in Switzerland.

Peter W. Gygax, Carletto

The main reasons why foreign vendors were mostly unable to participate in the coronavirus boost in Switzerland are that, under the difficult conditions of goods shortages and logistical bottlenecks, consumers were simply more likely to receive a desired product promptly when ordering in Switzerland than abroad. A number of vendors, including Amazon, reduced their service levels in Switzerland to focus their resources on the markets that are more important to them. Some study participants also anticipate an at least temporary ideational return to Swiss vendors in times of crisis. The fact that the preference for Swiss vendors continued after 2020 and also 2021 shows that they took advantage of this opportunity and were able to **convince with their performance**. This is not a given in a small country like Switzerland. In Austria, for example, the situation is completely different. According to Rainer Will, Managing Director of Handelsverbandes Österreich (Austrian trade association), two thirds of online sales are generated abroad [10]. In Switzerland, on the other hand, the share of sales from foreign vendors is just under 15%. However, this low foreign share is deceptive in that many international companies in Switzerland operate a branch office and an online store with .ch domain due to their non-membership of the EU. This means that they are recorded as domestic. There is much less reason for this in Austria.

The need to shop abroad has decreased with the strength of Galaxus, BRACK and microspot.ch.

Kilian Eyholzer, Victorinox, 2021

The importance of foreign online vendors is of interest in this study in view of the question of how well Swiss vendors can hold their own in the networked trading world. In practice, however, **it is extremely difficult to distinguish between foreign and Swiss vendors** and not only in online selling. A large proportion of the goods sold originate from abroad anyway and the creation of added value is often internationally distributed among large vendors. Examples of major foreign companies in traditional retail in Switzerland are IKEA,

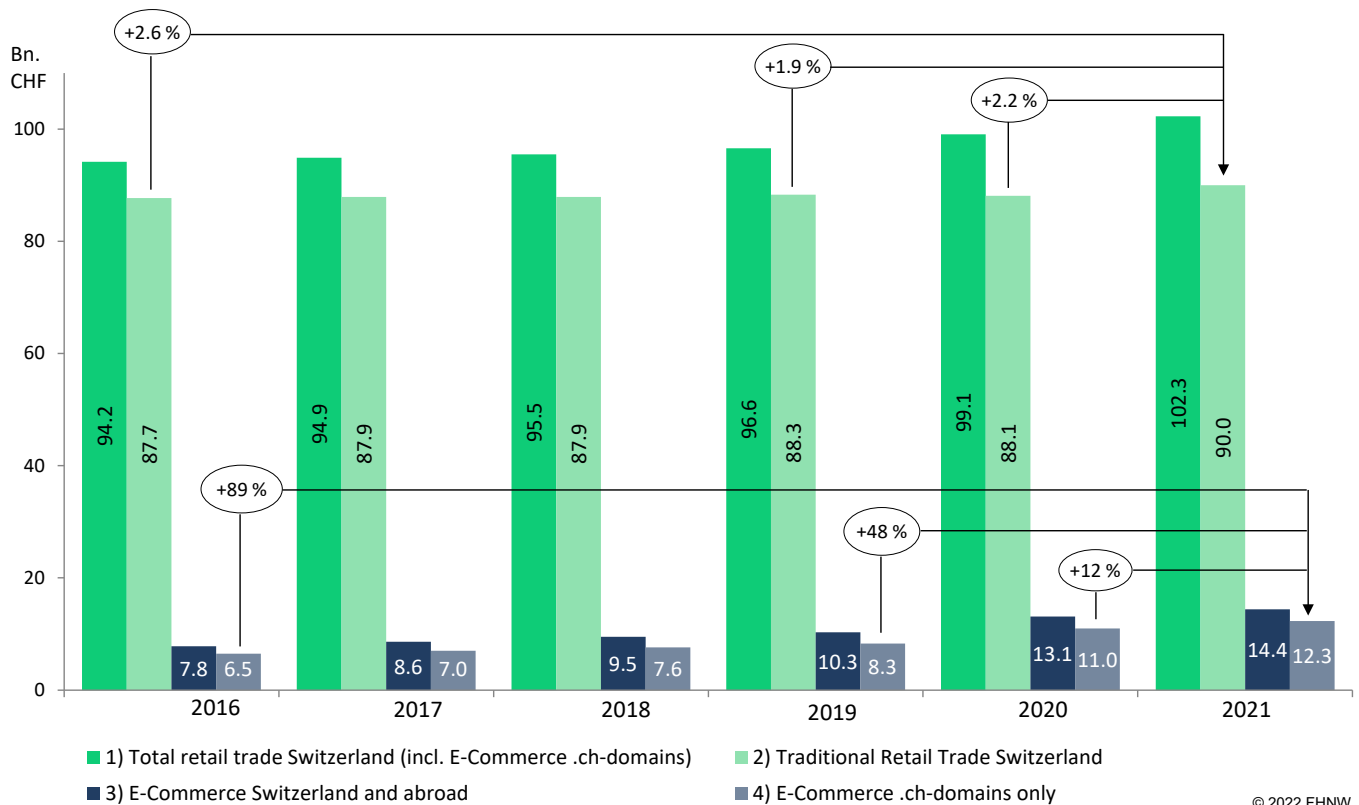
H&M, Decathlon and Aldi. Möbel Pfister has also belonged to foreign groups since 2019, and Globus department stores since 2020. This development has been strongly promoted by digitalisation and confirms the structural change to the effect that the operation of chains of branches can, in extreme cases, be reduced to the operation of stationary frontends as a customer interface. The value-added functions that precede the presentation of goods in the store can be distributed in many different ways in the networked trading world, including across borders.

Recent years in terms of structural change

- 60% of the growth of the Swiss retail trade has come from e-commerce.
- The good years of traditional retail trade are not slowing down the shift in channels.
- Due to the coronavirus pandemic, retail trade experienced an exceptional boom that will not continue in 2022.

To examine the shifts between traditional retail and online channels, a more in-depth analysis of market figures is needed. For this purpose, see Fig. 2 sales figures are broken down further. Bar 1 with the highest values stands for Swiss retail as a whole. It includes online trading via .ch domains and reached the record value of CHF 102.3 billion that was set in 2021. Bar 2 stands for Swiss retail excluding online sales. Below it is referred to as *traditional retail trade* – essentially stationary retail. Bars 3 and 4 stand for online and distance selling. Bar 3 represents the CHF 14.4 billion in domestic and foreign revenue already mentioned for 2021 with recipient addresses in Switzerland. The figures in bar 4 show just the sales of vendors with a .ch domain.

Fig. 2: Comparison of trends in Swiss retail with online retail over the past five years



Comparing bars 2 and 4 over time reveals the shifts between traditional retail sales and online channels without taking foreign vendors into account. The following can be determined over three time periods:

- In 2021, traditional Swiss retail grew by 2.2% or CHF 1.9 billion, while online selling via .ch domains achieved growth of CHF 1.3 billion with a rise of 12%. In no other of the past five years has the traditional retail trade been able to grow faster than online retail in absolute terms. 2021 was therefore also a record year for the traditional retail trade in this regard.

- In the summary view of the two coronavirus years 2020 and 2021, 2020 was a booster year for Swiss online and distance selling. Online trading via .ch domains achieved an increase of CHF 4 billion in the two-year period, which was CHF 2.3 billion more than the increase in traditional Swiss retail trading.
- Despite the growth in the traditional retail trade of CHF 2.3 billion, there was also a significant shift in sales in favour of online trade in the five-year period from 2017 to 2021, which increased by CHF 5.8 billion in the same period.

In the toy industry, stationary trade is increasingly being replaced by online – partly because of the top brands' online stores.

Roger Bühler, Franz Carl Weber

In my opinion, e-commerce is gaining market share in bicycles, especially in the accessories segment.

Dominique Metz, VELOPLUS

The record figures of the past three years for sales in the Swiss retail trade must therefore not obscure the fact that the **shift in sales** from traditional stationary retail to online retail **continues unabated**. Of the CHF 8.1 billion in sales from Swiss retail since 2016, only CHF 2.3 billion is accounted for by traditional stationary retail at just under 30%. Compared with the previous five years from 2012 to 2016, which had a negative performance, this is a good result, but should not be grounds for rejoicing.

2019 was a good year for retail, especially against the backdrop of the weak 2010s. 2020 and 2021 were **exceptional coronavirus years** in which consumer goods achieved an exceptionally high share of household budgets. Neither a general trend reversal in favour of consumer goods nor a weakening of structural change can be concluded from this. On the contrary, in the first half of 2022 it became clear that the basic conditions favouring retail trade in recent years were temporary in nature and have given way to a less favourable environment.

Top 30 online stores: increasing concentration, capable of playing catch-up

- The top 30 vendors in Swiss e-commerce have a market share of around 64%.
- The coronavirus booster year of 2020 was more broad-based than any year since 2016.
- The companies that have made up the most ground in a five-year comparison are IKEA Switzerland, Manor and Galaxus.

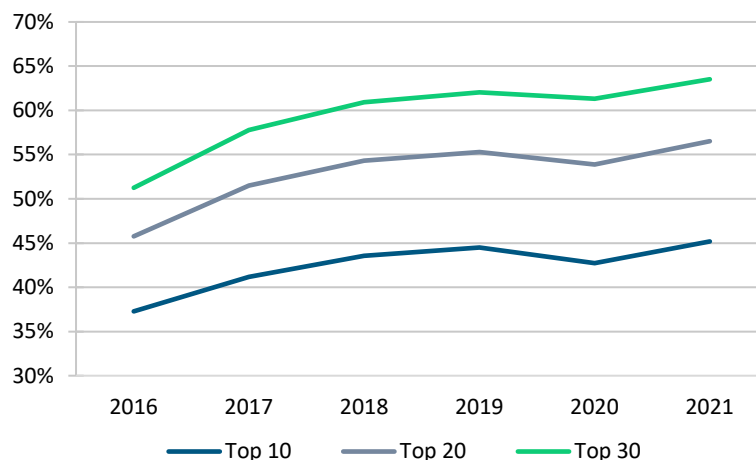
By 2025, there will be a further strong concentration on the vendor side, both in stationary and online retail.

Pascal Schneebeli,

Orell Füssli Thalia, 2019

The consulting company Carpathia has also published a list of the top 30 B2C online stores in Switzerland in 2022 [11]. Around half of the figures shown are based on estimates and are therefore subject to uncertainty. But based on the performance of the top 30 and their share in the Swiss online market, it is possible to draw conclusions about **the concentration of vendors in e-commerce**. Fig. 3 shows this for the last five years for the top 10, top 20 and top 30 online vendors. The coronavirus booster year 2020 was therefore the only year in which market growth was broader-based and concentration did not increase. But the slight decline in concentration was already more than offset in 2021. Last year, the top 10 achieved a market share of around 45% and the top 30 of around 64%. Compared with 2017 and 2018, the progress made in e-commerce concentration has slowed down in the last three years.

Fig. 3: Market share of the largest e-commerce vendors over the last five years



In 2021, the top 30 increased their total sales by 14% in 2021, which is higher than the market growth of 9.9%. The **three largest online vendors** are Zalando, Digitec and Amazon.de, as was the case in the five previous years.

Some **e-commerce companies making up ground** also stand out in a five-year comparison: IKEA Switzerland and Manor each managed to achieve around eight times their online sales, while Galaxus generated around seven times as many sales in 2021 compared with 2016.

1.2 How the companies in the 2021 study panel fared

- An explanation of how the study panel is composed

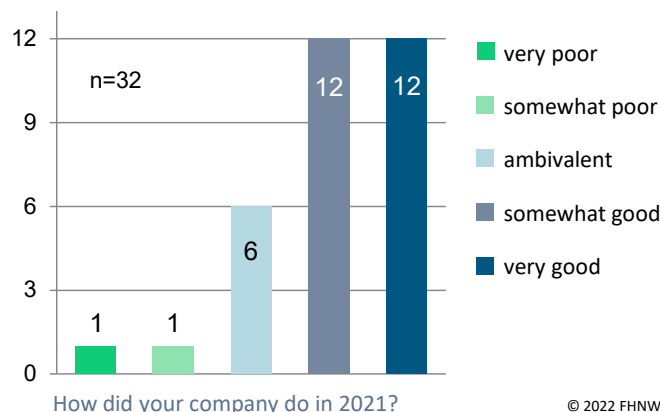
Following the description of the market development, the experiences of the 32 companies on the long-term study panel are outlined below. In 2022, the panel consists of 17 primarily stationary and 11 primarily online B2C consumer goods vendors of different types, as well as a wholesaler (B2B) and Meta as a customer access service vendor. Two tour operators with multi-channel set-ups complement the panel with their experience in the development of distribution to consumers. The composition of the study panel corresponds to the qualitative objective of this series of studies i.e. people who are involved in shaping the future world of commerce and services in Switzerland are asked to assess current market trends and to comment on their thoughts and plans for the future. It is not possible to create a representative picture of the market in this way.

Looking back, there were mostly positive assessments for 2021

- With the lessons learned from 2020, companies were able to cope quite well in 2021.
- The high levels of profitability in e-commerce could not always be maintained in 2021.
- Many participants saw a return to normality in the second half of 2021.

After 2020, 2021 was also an exceptional year due to the ongoing coronavirus pandemic. It began with a **six-week lockdown** in mid-January. But this had been on the horizon for a long time and did not come as a surprise to the vendors. It was apparent that most companies had learned from their experiences in the previous year, weaknesses had been eliminated and performance had been greatly enhanced. Consumers were also able to deal with the situation much more capably in 2021 than ten months previously. As a result, there was a temporary boost for e-commerce in the second lockdown, but this was lower than in 2020. Several participants reported that the **second half of 2021 was weaker** than the first. Some spoke of a return to normality, which was accompanied by a revival of shopping tourism and increased competition among vendors. Overall, three quarters of the study participants rated 2021 positively (Fig. 4).

Fig. 4: Study participants' summary assessment of their company in 2021



In 2021, we were just as successful as in 2020 and were able to increase profitability even further.

Lars Feldmann, Betty Bossi

In 2021, we grew strongly again until April, followed by stagnation and a weak end to the year.

Dominic Blaesi, Flaschenpost

We used the 2021 lockdown for internal projects with a focus on digitalisation and automation.

Roger Bühler, Franz Carl Weber

2021 was a crazy year! Where there was availability, good prices could be achieved; other, sought-after items could not be offered at all due to supply bottlenecks.

Malte Polzin, PCP/STEG

Compared with the previous year, the ratings for the 2021 financial year are slightly more moderate, both in the poor and good ratings. The lower number of poor ratings can be attributed to the measures taken by companies to adapt to the changed market conditions. The fall in the number of very good ratings has a wide range of causes, which are discussed in the following section. The **profitability of e-commerce**, which had increased at EBITDA level for the majority of the study participants in 2020, partially declined again for one third of the participants. One half were, however, able to further increase profitability in 2021. These vendors benefited primarily from positive economies of scale, which increased with further growth.

What kept companies particularly busy in 2021

- 2021 was also a difficult year to plan in and required a high degree of flexibility.
- Business was burdened by supply bottlenecks and rising costs.
- Companies and employees have been under constant strain for two years.
- The attitude of employees towards work has changed.

If material availability had been better, we could have generated more sales in 2021.

Dominique Metz, VELOPLUS

Managing inventory is a big challenge as you don't know which goods are coming in and which aren't.

Friederike von Waldenfels,
Swiss Commerce

The lack of suitable production capacity will keep the industry busy for a long time to come.

Peter W. Gygax, Carletto

The current market trend is a major challenge for employees.

Philippe Huwyler, coop.ch

Uncertainty about the further course of the pandemic and its effects on other basic conditions relevant to the consumer goods industry have demanded a high degree of flexibility from companies and their employees. The following topics were particularly challenging:

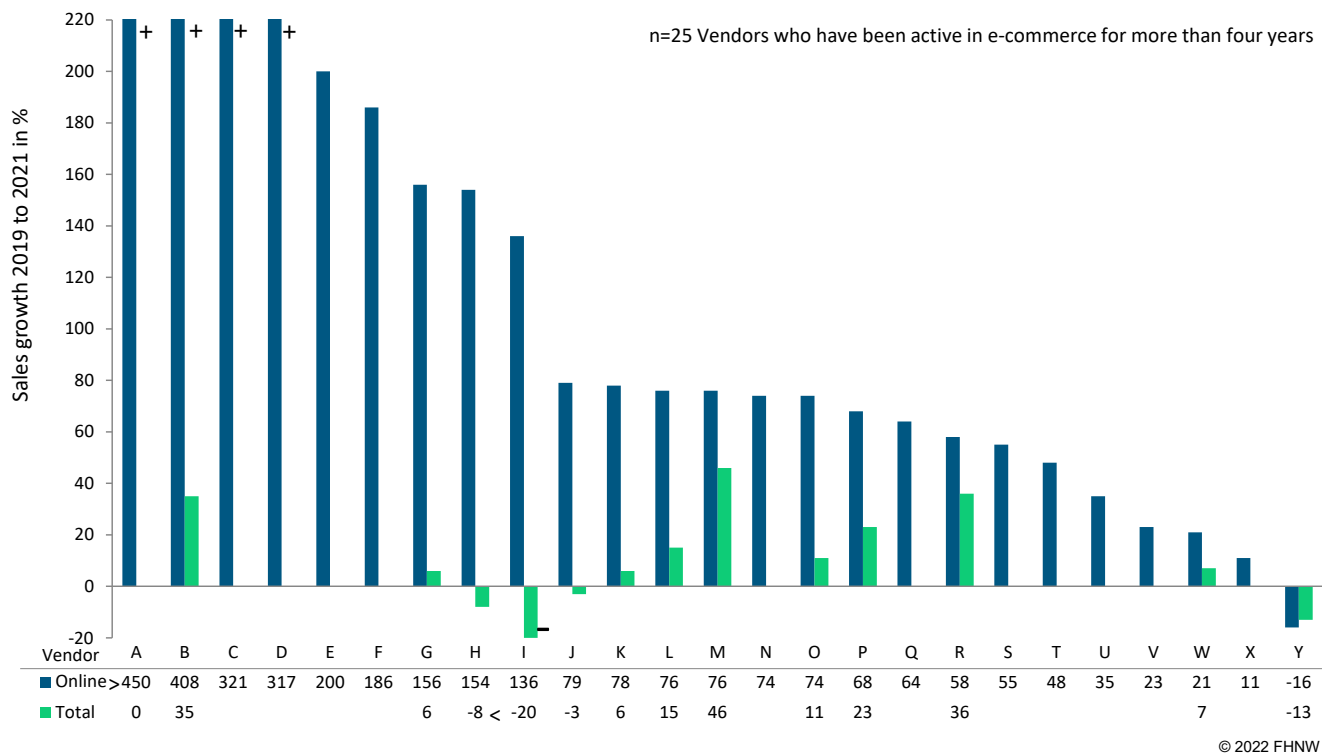
- Whether, when and to what extent new coronavirus **protection measures** would be prescribed was completely unplannable. Accordingly, planning demand for goods and capacities of all kinds was subject to a high level of uncertainty.
- There were major **supply bottlenecks** in various product groups. Just-in-time manufacturing and sourcing in global supply chains showed their Achilles heel. Drastic quarantine measures, especially in China, stalled flows of goods and subsequent bottlenecks in transport containers and freight capacities threw global supply chains out of kilter.
- There were sharp **price increases** in many cost areas, partly because companies were preparing for different scenarios and building up contingency stocks, and partly as an effect of supply chain disruptions (transports, paper/packaging). In addition, it became apparent that there was simply not enough production capacity in some product areas to meet the increased demand.
- Improvised organisational changes usually go hand in hand with lower efficiency. This led to increased staffing requirements for the companies, which were exacerbated by the increase in demand. In some cases, this resulted in considerable problems in **recruitment** in a number of areas, not just in chronically understaffed IT departments.
- The companies' employees were constantly challenged by the unusual framework conditions. In 2020, the crisis had in many cases mobilised additional energy and rewarded people with rapid success. With the transition of the exceptional into a not yet normalised permanent state, a certain fatigue set in in some places. Combined with overarching trends of people questioning their work more, aligning it with their life goals, having a changed attitude towards commuting and work location after mandated working from home, **leadership and motivation** have become even more challenging. Managers and teams need to re-establish closer relationships to each other. A lot has been lost through remote working and new employees have not been properly integrated.
- Finally, **opportunities** for improvement and **innovation** have been identified and implemented both in customer-related services and in internal organisation. This has also put pressure on the capacity of management, employees and financial resources.

Sales performance of the members of the study panel

- Online retail enjoyed extremely strong growth over the course of the three years.
- A whole range of traditional companies have also been very successful online.
- The sales performance in the two coronavirus years was very different.

Since the start of the study series in 2009, the sales performance of the members of the study panel has been collected for the previous three-year period and shown anonymously in a graphic (Fig. 5). The three-year perspective dampens the exceptional effects of individual years. Vendors who have not been active in e-commerce for at least five years are not included in the chart. The two tour operators were not included. The chart compares online sales with total sales, but excludes the 11 purely online pure players. The companies participating in the panel are very diverse and heterogeneous.

Fig. 5: Sales growth over three years from 2019 to 2021, overall and online



With the renewed sales growth, profitability continued to increase in 2021, and the economies of scale are making an impact for us.

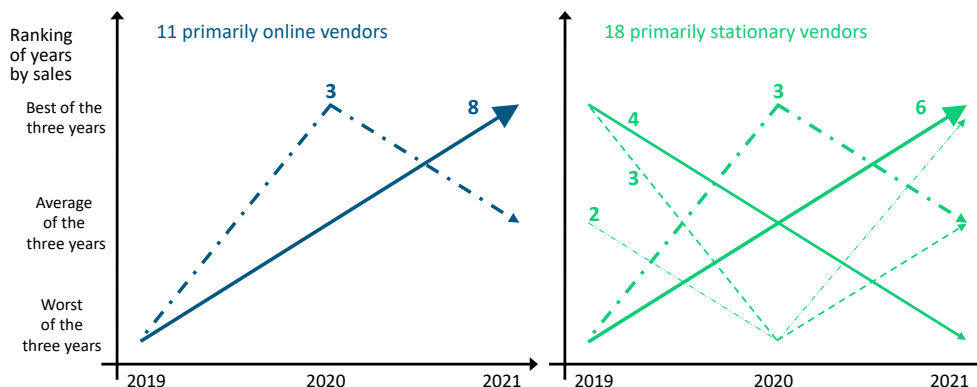
Daniel R othlin, Ex Libris

As measured by sales, the three years 2019 to 2021 were **very good years** overall for the retail industry, which has already been explained in more detail in chapter 1.1 The sales performance of the study participants confirms this. Fig. 5 shows that online sales have increased for 24 of the 25 vendors in the past three-year period. For 21 of them, the average annual growth was at least 10%, for 15 even more than 20% – never before in this series of studies have the figures for the three-year period been so high. With one exception, online sales have clearly outpaced total sales for all **multi-channel vendors**. Among the nine top performers A to I with over 100% growth are five traditional companies with multiple sales channels.

Looking **only at 2021**, 14 out of 25 e-commerce vendors managed to grow by 10% or more. Five companies experienced a decline in sales online, compared with six in total sales. In the 14-year study series, 2021 is, looked at alone, one of the weakest years in terms of growth. This is probably mainly due to the very strong figures from the previous year.

One of the particular characteristics of the two coronavirus years was that performance was extremely heterogeneous depending on the type of vendor and industry. Fig. 6 shows the variety of the processes divided into purely online vendors and multi-channel vendors.

Fig. 6: Very different sales performance in the two coronavirus years



At the start of 2022, we saw a significant increase in stationary travel agencies. We do though expect a higher proportion of online content in 2022 than in 2019.

Erich Mühlemann, TUI Suisse

With the global upheaval we are currently experiencing, uncertainty is increasing.

Katrin Tschannen, Migros Online

In 2022, the market is expected to stagnate, which would already be positive.

Lars Feldmann, Betty Bossi

Footfall in the branches was generally even lower in Q1/2022 than in 2019. But individual locations have been performing differently.

Tomas Prenosil,
Confiserie Sprüngli

A focus on prices is back again with the war in Ukraine and inflation.

Beat Grüning, Tally Weijl

I believe supermarket sales have been declining this year because the restaurant industry is recovering and shopping tourism is on the rise again.

Katrin Tschannen, Migros Online

It is striking that all 11 primarily online vendors achieved higher sales in 2021 than in 2019. Eight of them were able to increase sales in both years, while three were unable to maintain the sales volume achieved in 2020 in the following year. The picture is very heterogeneous among the 18 primarily stationary vendors. Six were able to increase sales in both years, while seven were unable to maintain the sales achieved in 2019. There are also a number of other trends, with the respective industry being the decisive influencing factor.

1.3 Expectations for 2022 and up to 2024

- Russia's war against Ukraine changed the context of the interviews during the survey period.
- The study participants were already aware of an unstable environment before the war.
- Less than half expect their industry to continue growing in 2022.
- E-commerce is expected to post further growth in 2022 and in the years to come.

At the time of designing this study and questionnaire, as well as during the first 12 of 31 interviews, the participants had no idea that Russia would attack Ukraine at the end of February and trigger a bitter war. In the last 12 of the 31 interviews, on the other hand, the war had been going on four weeks and it became clear that its consequences – in addition to the immeasurable suffering on the ground – would also affect Switzerland, the economic framework conditions and the consumer climate.

Against this background, the **study participants did not have the same context** during the interviews, which might have had an impact on the assessments and arguments. On the other hand, right from the start the interviews were taking place at a time of **uncertainty in several far-reaching global topics**, including the further progress of the pandemic, disrupted supply chains, inflation, climate change and the strained global political situation. In conjunction with the experiences from the coronavirus crisis from 2020 onwards, most study participants were already aware that they had to make their plans and decisions in and for an unstable environment.

Industry expectations

- It cannot «continue like this» – a countermovement to the boom years is expected.
- Coronavirus became normal, while consumer spending shifted to intangibles.
- The first half of 2022 was down, but clearly positive compared with 2019.

Many study participants are aware that the high level of sales in the industry, which was achieved under the unprecedented framework conditions of the two strong coronavirus years, will not be easy to maintain in 2022. As early as the second half of 2021, some of them had identified a «normalisation» that has gone hand in hand with the pendulum swinging back at least a little. The most important reason for this is that coronavirus has become a normality that no longer affects people so much in their **mobility, leisure and shopping behaviour**. This shifts the spending budget back from consumer goods to hospitality, travel, and experiences. **People really want to go back on holiday and book more expensive trips on average than before**, reported Nicole Pfammatter from Hotelplan Suisse. A countertrend to digital experiences is also being observed. While Netflix is slumping, more physical books are being bought, as are physical games, including for adults; while home electronics are weakening, sporting goods and bicycles are continuing to do very well. But according to several participants, in the first quarter of 2022 **footfall in stationary retail** had not yet returned to 2019 levels. In particular, inner-city stores were lagging behind, with shopping centres doing better. Many customers are shopping in a more targeted way. But in some industries the average basket size is higher than before the pandemic.

Fig. 7 shows the expectations for sales in the study participants' industries across all channels in 2022. The majority of participants are expecting a decline in sales or stagnation. The food trade in particular is expecting a counter-movement. As the additional burdens of the ongoing war in Ukraine and its longer-term consequences were not yet known at the time of the interviews, expectations could have been too high. As early as mid-March, it could be heard in some companies that markets are no longer functioning as they were used to: **«At the moment, we don't understand the figures, either in stationary or online,»** admits one participant.

With the stronger Swiss franc, people are shopping more in Germany again. This has been confirmed by my colleagues from Aldi Süd.

Jérôme Meyer, ALDI SUISSE

After two strong years, I'm expecting a decline in sales for the home electronics industry in 2022.

Pierre Wenger,
Interdiscount | microspot.ch

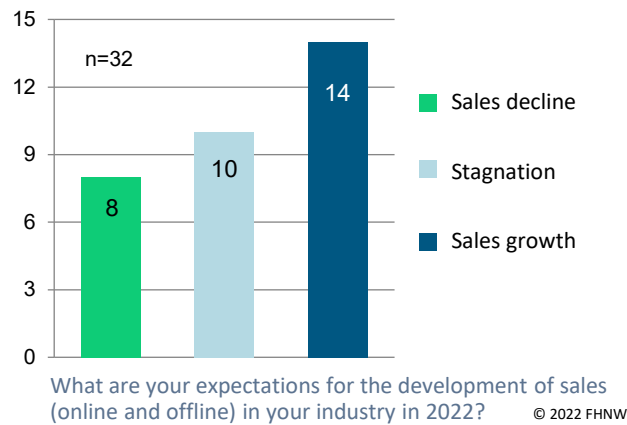
I expect the fashion industry to grow this year. People want to get out more again so they need new clothes.

Beat Grüring, Tally Weijl

The first few months of this year have already shown that consumers want to travel again and experience things.

Erich Mühleemann, TUI Suisse

Fig. 7: Expectations for sales performance in the industry as a whole in 2022



People expecting further market growth also anticipated a decline at the beginning of 2022 compared with the two previous years, primarily in the first half of the year. They based their **optimism for the year as a whole** on the continued good state of the economy in spring 2022, pent-up demand in the fashion industry or ongoing trends towards more sport and home improvements. Despite the war in Europe, the two tour operators were also optimistic.

The study participants' estimates of the sector's sales trend can already be compared with **sales figures from the first half of 2022**. Every quarter, the GfK Market Monitor on the performance of the Swiss retail trade publishes indexed figures on the sales of more than 60 major companies, which report their sales figures on a monthly basis. Although these index values cannot be claimed to be representative for the entire Swiss retail trade, they can serve as an indicator for the current trend. For the first half of 2022, a decline in sales of 5.7% compared with the same period in the previous year was identified on the basis of the GfK panel [12]. At -7.4%, the food/near-food segment fell more sharply than the non-food segment at -3%.

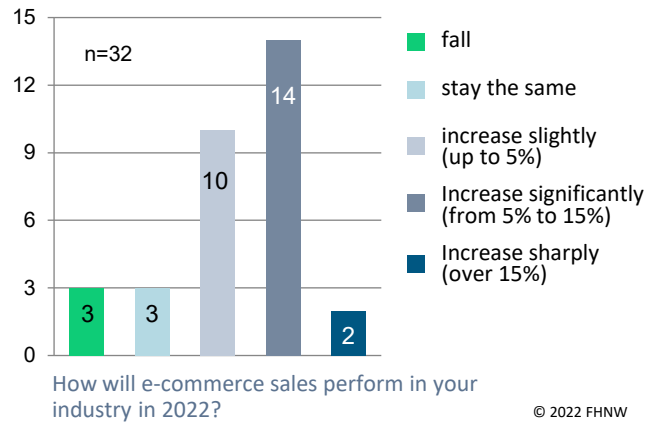
If we calculate the index series back to 2019 and compare the values of the first half of 2022 with the values of the first half of 2019, i.e. before coronavirus, 2022 is around 5% higher than 2019 at a cumulative level. Both food/near food and non-food are above the 2019 level. Taking into account the fact that 2019 was the record year for Swiss retail trade in the time series up to 2019 and acknowledging that the results of 2020 and 2021 are due to one-off factors of the pandemic, the **first half of 2022 was a good half-year for the consumer goods industry**.

Expectations for e-commerce in the industry

- Only six participants expect a decline in sales or stagnation in 2022.
- «Continuing as before»: no trend reversal is expected in online growth between 2022 and 2024.
- The first half of 2022 was also negative for online retail, but is over 50% above 2019.

For e-commerce in their industry, six respondents expect that normalisation after the coronavirus boom will also lead to declining or stagnating online sales (Fig. 8). But the majority **do not expect the shift to online trend to end**. 80% of respondents are expecting e-commerce growth for 2022 as a whole, albeit at a lower level than in the previous year.

Fig. 8: Expectations for sales in e-commerce in the industry in 2022



In 2022, the online share of the overall market stagnated or fell slightly, but it will grow again from next year.

Friederike von Waldenfels,
Swiss Commerce

I'm also expecting growth for the toy industry in 2022. Stationary will stagnate while online retailing will grow.

Roger Bühler, Franz Carl Weber

Even though e-commerce sales have been declining again in 2022, I don't believe there will be in a shift back to offline.

Dominic Blaesi, Flaschenpost

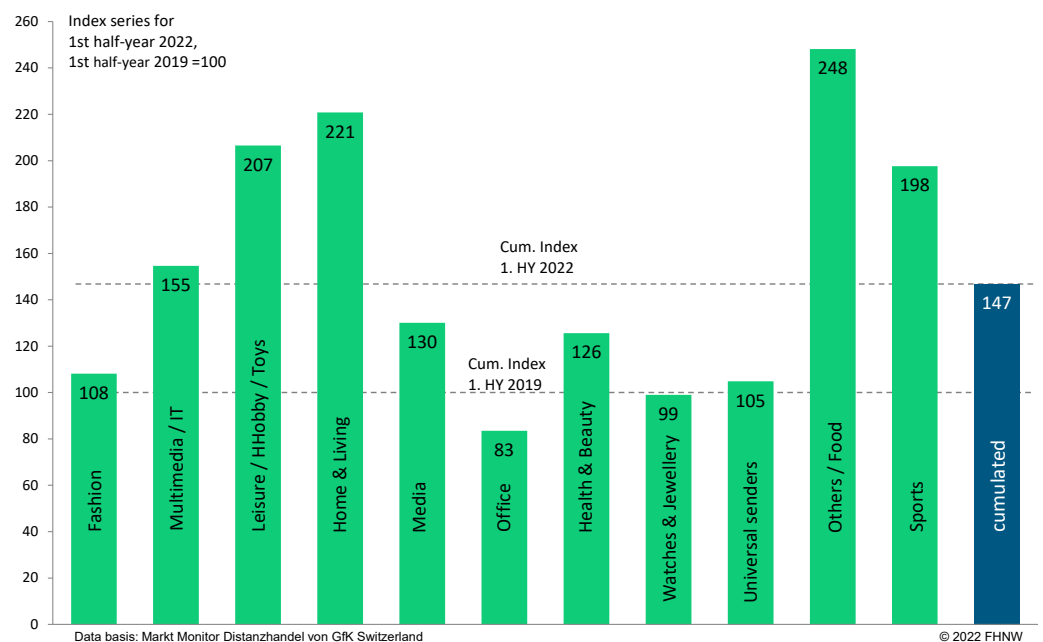
Three people spoke of a small shift back from online sales to traditional retail. One of them pointed to an upgrade in the physical experience that will benefit stationary trade.

The product ranges that are in demand show that the period dominated by coronavirus is over. **Beat Grüning** from Tally Weijl noted that at the **end of 2021, holiday clothing was being bought again and the runwear trend was over**. **Sebastian Paul** from Victorinox also observed a trend reversal: **kitchen knives, which were particularly in demand during the coronavirus pandemic, are on the decline and luggage is increasing again**.

Estimates for e-commerce can also be compared with sales figures from the first half of 2022 (Fig. 9). For the months January to June, GfK Switzerland's market monitor distance selling shows an index value of 93.9 compared with the previous year for the around 100 vendors recorded on a cumulative level [13]. Once again, with a sales decline of 6.1%, the apparently poor result must be put into perspective given the online booster year of 2020. If we calculate the index series back to 2019 and compare the value of the first half of 2022 with the value of the first half of 2019, **2022 was 47% higher than 2019 at a cumulative level**. The biggest growth winners during the three-year period were rest/food, home & living and leisure/hobbies/toys. Fig. 9 shows the index values for the growth of the three-year period for various market segments and online trading as a whole.

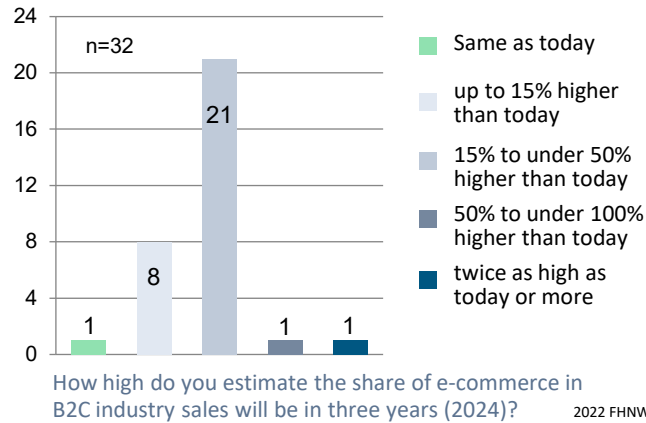
The study panel was therefore correct in its assessment that there would be a decline in the first half of the year compared with the previous year. On the other hand, no trend reversal can be deduced from the current index value, which is significantly higher than most people would have expected in 2019.

Fig. 9: Sales index of Swiss e-commerce in the first half of 2022 compared with 2019



This was a look back over three years. Fig. 10 shows the expectations of the study participants for the e-commerce share of their industry over the next three years.

Fig. 10: Expectations for e-commerce share in the industry in 2024



E-commerce is an intact, global trend, and we believe that market share will continue to grow in 2022.

Silvano Senn, Meta

In three years, the online share of food will be twice as high as in 2021.

Dominique Locher, Farmy

Two-thirds of respondents expect their industry's share of e-commerce to increase by 15-50% by 2024. For the current year 2022, growth between 5% and 15% received the most votes - which seems a little too optimistic in the summer of 2022. But the result shows that a largely continuous, **further growth of the e-commerce share of the total market** is expected.

The aim of the separate survey of growth expectations for 2022 and for 2022 to 2024 was to check whether the participants expect an end to the trend. The response picture does not indicate this. In the eyes of the study participants, the growth trend of the e-commerce share is intact and is likely continue with a **similar growth rate as before coronavirus**. The only deviation from the long-standing trend is therefore the coronavirus booster year of 2020.

Expectations for the participants' own company in the current year 2022

- Most companies are also optimistic about their own performance in 2022.
- Some participants are expecting a correction – especially a post-boom one.
- It is clear to the majority that e-commerce is expanding significantly.

I expect a decline in sales for the supermarket industry as a whole in 2022 and at least stagnation for Aldi Suisse.

Jérôme Meyer, ALDI SUISSE

For the overall market, I'm expecting stagnation or even a slight decline in sales in the first half of 2022. Growth could return in the second half of the year and the year could end on a positive note.

Sebastian Paul, Victorinox

When the pendulum swings back for the industry, it usually does for the vast majority of companies too. Although most of the participants in the study panel are claiming they are performing better than the market, very few can escape the trend. A third of them expect total sales to stagnate or decline this year, with 40% expecting growth in the range of 3% to 10%. With the deterioration in the global political situation during the survey period, some expectations may turn out to have been too optimistic.

The vast majority of the panel believe that e-commerce will remain the channel with the strongest growth, even though their plans are more cautious than in 2021 (Fig. 11). Due to last year's high target – in 2021, the lockdown triggered another online push in the first quarter – 2022 began online with comparatively poor figures. The optimism is based on the **trend towards channel switching**, which was seen to be continuing, especially in the food sector, as well as from the good experience last year that the company's own online products and services are well received by customers. Only the media trade is predicting a uniform correction.

After the coronavirus boost, sales in the media trade will decline in 2021, in stationary slightly less, online slightly more.

Daniel Röhlin, Ex Libris

After the coronavirus boost, our sales will fall to a normal level in 2022.

Allen Krief, DeinDeal

There was another coronavirus peak in Q1/2021. For this reason, we did not achieve the previous year's figures in Q1/2022.

Study participant

Foreign vendors are now looking at Switzerland again and optimising their cross-border logistics.

Sebastian Paul, Victorinox

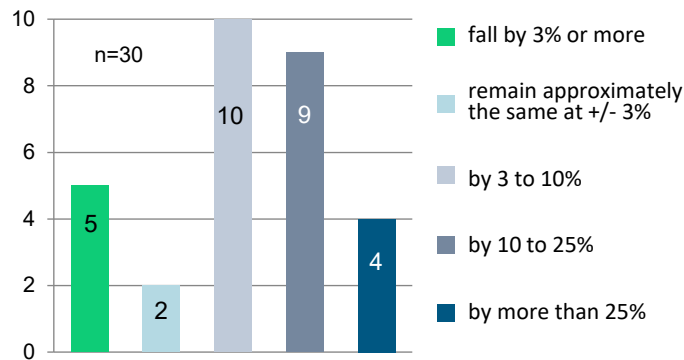
With the Swiss franc once again very strong, purchases abroad could gain in importance again.

Dominique Metz, VELOPLUS

In the longer term, I expect the attractiveness of the Swiss food market abroad to be recognised and competitive pressure to increase.

Jérôme Meyer, ALDI SUISSE

Fig. 11: Planning for participants' own sales in e-commerce in the current year



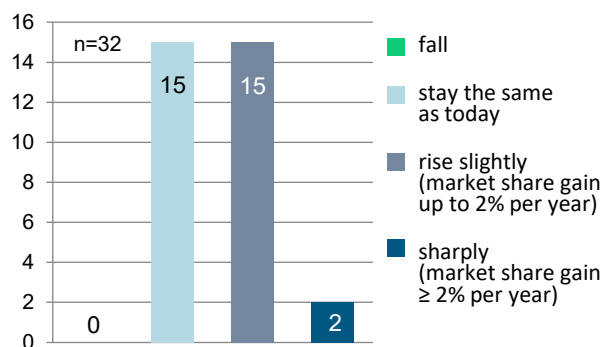
Our e-commerce sales with customers in Switzerland will increase in 2022 compared with 2021 ... © 2022 FHNW

Expectations for foreign vendors

- A revival in foreign competition must be expected.
- The renewed depreciation in the euro is being cushioned by higher inflation in the EU.
- Switzerland is not an unoccupied market, but there are open flanks.

For a few years, Amazon and other global players were fearmongers in the Swiss e-commerce scene. After they have - apart from Zalando - made little effort to attract Swiss customers in the last three years, this hot topic has cooled down noticeably. But Zalando and Amazon have remained in the top three of the most successful online stores for years and are growing accordingly. The fact that Swiss vendors were able to win back market share was due to their very good performance overall. But while Ricardo has been able to permanently establish itself as a C2C online marketplace against eBay, the race in the consumer goods market remains open. A slight majority of the study participants are expecting (Fig. 12) competitive pressure from abroad to intensify again in the medium term in view of the market, which has always been lucrative but is now also growing to a significant size.

Fig. 12: Expectations for foreign vendors in the next three years



How will the market share of foreign e-commerce vendors in your industry perform over the next three years? © 2022 FHNW

It is hard to imagine a second Zalando invading Switzerland with a clamour and becoming the largest vendor in the industry in less than ten years. But foreign vendors still have potential, especially in the areas where the Swiss are struggling. These areas include **product range and depth** as well as lower price levels. The narrower range of products on offer is particularly painful in the case of branded goods, to which Swiss vendors often have no access at all.

Finally, the **devaluation of the euro** is also beginning to become an issue again. But it is currently being cushioned by much higher inflation in the eurozone and the USA, as prices abroad are rising much faster than in Germany. Unlike in Austria, for example, Swiss vendors are still benefiting from the hurdles posed by the border with the EU. But both large and many smaller companies without warehouses in Switzerland show that these hurdles can be overcome very well if this is tackled with determination.

In the future, we must be able to show good reasons why our products cost many times more than what Asian vendors charge.

Lars Feldmann, Betty Bossi, 2021

E-commerce works if you have a large market. In the small Swiss market, the economies of scale of the internet are limited.

Arthur Dauchez, eboutic.ch, 2012

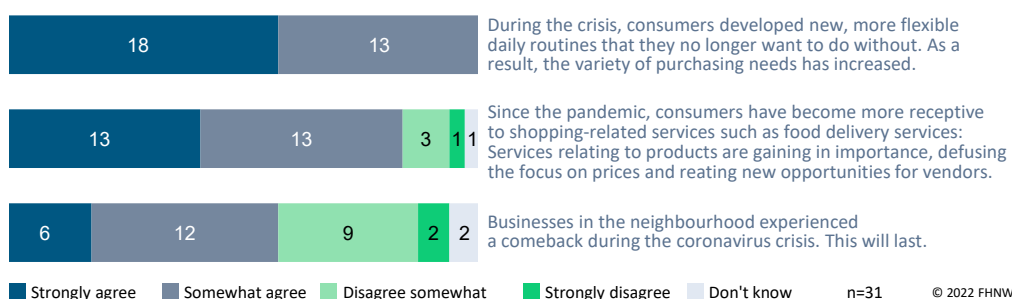
Despite the successes of recent years, it is by no means certain that vendors operating solely in Switzerland will be able to hold their own in the long term against incomparably larger foreign vendors in the bulk business. Therefore, more attention should be paid to Swiss providers' attempts to **escape the smallness of the Swiss market**. The companies that have participated in this series of studies on several occasions include Galaxus, Beliani and the PCP.COM Group. And with Farmy, it would not be surprising if, after opening up the urban regions of Zurich and Geneva/Lausanne, a step abroad were to follow.

1.4 Three thesis on the permanent effects of the pandemic

- More flexible daily routines have led to a greater variety of purchasing needs.
- Customers are more open to services, but remain price sensitive.
- Separate delivery charges are primarily about marketing and psychology.
- Neighbourhood stores still have a higher value, but the boom is over.

Three thesis on the long-term effects of the coronavirus crisis were discussed with the study participants. Fig. 13 shows a condensed overview of the answers. The statements are clarified in the following discussions.

Fig. 13: Three thesis on the permanent effects of the coronavirus crisis



Thesis 1: more flexible daily routines, greater variety of purchasing needs

Working from home has changed the way people work, affecting the frequency of store visits. For sports, it is good that people find it easier to find time to do sport.

Patrick Bundeli, INTERSPORT CH

Lars Feldmann from Betty Bossi sums it up: **the change in forms of work, some of which will persist after the pandemic, involves a slew of changes in consumption and trading**. The strict linking of everyday routines such as work or training to specific places is generally considered outmoded. It is giving way to more flexible forms and thus more flexible daily routines. People also shop during them in more diverse ways. Daily necessities are likely to be hit hardest. Philippe Huwyler from coop.ch observes: **with Covid, there was a shift of orders from the evening to the afternoon. This shows that people were at home more**. The greater variety of purchasing needs creates potential for vendors to differentiate themselves through services **that are perfectly tailored to specific situations**. This is the focus of the next thesis.

Thesis 2: new receptiveness to services and stable price sensitivity

Customers today want to be more flexible and have more options.

Allen Krief, DeinDeal

The thesis formulated in Fig. 13 contains four statements on which the participants were asked to take an overall position. But the majority could not agree with all partial statements, which led to many responses with «somewhat» and extensive discussions. It is undisputed that consumers have been more open to services since the pandemic. Yes, services are gaining in importance and yes, this creates new opportunities for vendors. But this partial statement gives rise to a contradiction. It is highly controversial as to whether services mitigate the focus on prices.

Consumer demands for value for money have by no means decreased. They are very aware of what service package they are buying and where they are buying it.

Pierre Wenger, Interdiscount | microspot.ch

Some, like Dominique Locher from Farmy, say **that the willingness to pay delivery fees can be seen as a toned-down focus on price**. Benno Burkhardt, partner and CEO of the lightning delivery service Stash, who was surveyed specifically about this, also does not see his customers as being particularly price-focused. Rather, they are concerned with convenience. Others, such as Jérôme Meyer from ALDI SUISSE, see price focus on the rise again, also due to inflation. On the other hand, there is agreement on the need for price transparency and that delivery costs need to be shown separately.

Katrin Tschannen from Migros Online says **that customers are willing to pay for the convenience of home delivery as a separate service**, but this does not remove the focus on the prices of the products. Mario Runco from Migros Aare, to cite a fifth statement from the food trade, feels it depends on the purchasing situation. In his opinion, **the focus on prices remains high, and willingness to pay varies depending on the context and service level**. From his answer, one can draw a parallel to stationary convenience formats, where the price for the same product can be higher in a Migrolino store at the train station than in the Migros branch a few hundred metres away.

The average receipt amount for "Aldi now" is higher than expected – customers are optimising their benefit from the delivery fee.

Jérôme Meyer, ALDI SUISSE

People's relationship with their own time has changed. They sometimes pay delivery fees, but the focus on price has not gone.

Study participants

The customer segment able to pay for premium services is small.

Lars Feldmann, Betty Bossi

Yes, customers are more open to services, but they don't want to pay for them.

Roger Bühler, Franz Carl Weber

Working from home has led me to buy more locally.

Marc Isler, BRACK.CH

As working from home is now indispensable, businesses in the neighbourhood will continue to benefit.

Roger Bühler, Franz Carl Weber

The following **conclusion can** be drawn from the many statements. During the pandemic, many consumers became acquainted with and appreciated services in connection with online purchases. For this reason, the majority of price-orientated customers did not lose price focus. But in the evaluation, they mentally separated the price of the product from the fee incurred for a service. **Most consumers understand that service costs something**. Most of these services only pay for themselves in situations where the additional benefit is particularly advantageous compared with the alternatives. Those who need a quick and easy solution do not focus on the lowest price in the moment. It should be borne in mind, however, that there is also a considerable proportion of the population in Switzerland who simply cannot afford additional services or who, out of habitual thriftiness, do not pay for them on principle. So it is only a **specific customer segment in certain situations** that is willing to pay separately for additional services.

Digression into psychology: Zalando's cry of happiness for free delivery

Time and again, the subject of fee-based services in e-commerce also makes waves in the media. This was the case again in July 2022, when Zalando introduced a delivery fee in Switzerland for orders below a minimum order value. The delivery fee did not even cover costs and the minimum order value was extremely low. Obviously, many people forget the fact that services are always paid for. The only questions are whether the price is shown separately and whether the costs are charged according to the originator.

From the company's point of view, the question of separate charging or non-transparent charging is **a matter of marketing**. The task of marketing is to influence customer behaviour. As long as Zalando wanted to achieve a high company valuation on the stock exchange thanks to its rapid growth, the radical offer of free shipping and return shipping at the time was expedient, even for loss-making micro-orders. Now that the stock exchange wants to see profitability, customer behaviour must be steered in a different direction – which is not surprising.

From a consumer perspective, it is a **matter of psychology**. Following the findings of psychologist Hans-Georg Häusel, who applies findings from brain research to consumer behaviour and marketing [14], spending money is always associated with an unconscious struggle between opposing emotions and motives. The strongest motive, the pursuit of security, makes us save money, and always associates **spending money with pain**. Other motives stimulate us to spend money when we associate a product or service with a **gain in pleasure**. The vendors' marketing is geared towards triggering such incentives. For a beautiful garment, this is quite conceivable, but not for delivery charges. If the delivery charges are shown separately, they can put a brake on pleasure. If they are included in the sales price, we hide them from consumers. The brake on pleasure can be overcome by the additional pleasure gained from the idea of being able to wear the chic garment at a party the day after tomorrow – then the painful surcharge for express delivery is acceptable.

Thesis 3: comeback of neighbourhood stores, only permanently reduced

If one interprets the answer «agree completely» as agreeing with a high degree of certainty, then the thesis of the permanence of the comeback of neighbourhood stores was the thesis with the lowest firm approval. The answer should be yes.

There is broad agreement for the assumption that the legacy of working from home is that it is a lever for the increased demand from neighbourhood businesses. The short distances make spontaneous and time-saving shopping easier, and it eases the environmental conscience too.

In the past, neighbourhood stores suffered because people were not around during the day. This has changed with the more flexible ways of working.

Dominique Locher, Farmy

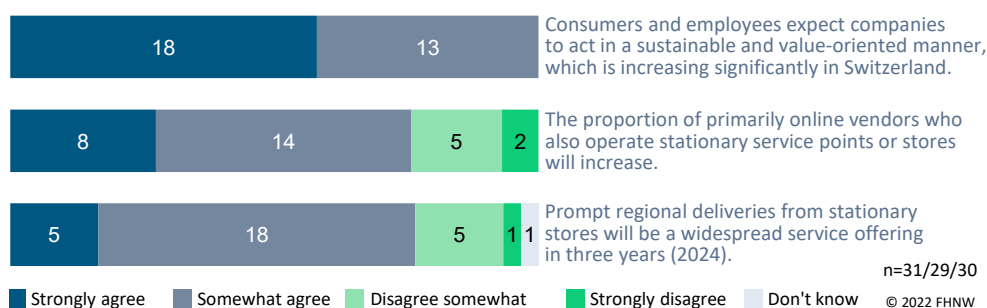
On the other hand, much of the daily routine will once again be determined by external workplaces and some old habits will prove useful again. **Sebastian Paul from Victorinox does not believe in a permanent comeback of neighbourhood stores, as people will go back to preferring having a wide range of products on offer.** Neighbourhood stores are naturally limited if a larger selection is required or if special products need to be purchased. In summary, the opinion is that the boom for neighbourhood stores is over, but they will hold onto a smaller share of the sales profit during the coronavirus period.

1.5 Current trends put to the test

- Sustainability is in demand. Psychology must be taken into account in purchasing behaviour.
- Purely online vendors are shying away from the complexity of stationary commitments.
- Decentralised fulfilment services are on the rise, but not from stores.

Three other topics emerged in the interviews for the Commerce Report 2021 and were therefore included in the 2022 survey. Fig. 14 shows the formulated thesis presented to the study participants and the overview of their assessments.

Fig. 14: Three more thesis on current trends



Value orientation among employees is increasing, also with regard to the meaningfulness of the work

Marc Isler, BRACK.CH

The discrepancy between what consumers communicate about sustainability and how they behave is huge.

Friederike von Waldenfels, Swiss Commerce

A distinction must be made between the expectations of value-oriented action and the willingness to spend a little more on this.

Erich Mühlemann, TUI Suisse

Thesis 4: value-oriented action is now a must

People feel increasingly threatened with the increased direct experience of natural extremes and the coronavirus biological disaster in recent years. More and more people are seeing the need to care more about nature and people in other parts of the world. This creates expectations among consumers, but also among employees towards their employers. All interviewees agreed that expectations for sustainable and value-oriented action are increasing significantly.

Concerns about this almost all relate to the **observed discrepancy** between expectations on the one hand and people's actual individual behaviour on the other. This aspect was discussed previously in the focus edition of the Commerce Report Switzerland 2021 [15] and, above all, the division of responsibility between politicians, manufacturers, retailers and consumers. As a result, it can be said that consumers want sustainability, but cannot live without consumption. This is good news for the consumer goods industry. The opposing nature of these needs opens up the possibility for it to be concerned about the sustainability of its products and services **on behalf of consumers** and to combine the two needs. Instead of consumption with a guilty conscience, **consumption should be replaced with consumption with a clear conscience.** Sustainability is mutating from a restriction to a feel-good factor, the higher price an indicator of quality. **Samy Liechti** concludes that this will be linked to a **trend from quantity to quality.**

The frequently observed discrepancy between value orientation and price orientation is at first glance not rationally plausible. Psychology can also be used as a possible explanation here. According to psychologist Hans-Georg Häusel, the rational and conscious consumer is an illusion anyway [16]. Based on findings from brain research, he determined that purchase decisions are almost always emotional and the power of the unconscious is much greater than we consumers realise. According to Häusel, emotions are the binding guiding principles that lead us throughout our lives. Besides emotions, the consumer is guided by motives. He refers to the specific implementation of concerns derived from experienced emotions as a motive.

Our society is still very monetarily driven. It is not possible to escape price orientation with one's offer..

Tomas Prenosil,
Confiserie Sprüngli

Farmy's entire value chain is based on sustainability, locality and transparency all the way back to the producers.

Dominique Locher, Farmy

"flight shame" is more pronounced than for private trips.

Nicole Pfammatter, Hotelplan CH

I expect that sooner or later there will be a take-back obligation for end-of-life products in Switzerland.

Patrick Bundeli, INTERSPORT CH

For the young generation, value-oriented action plays a big role, at least from a certain income level.

Sebastian Paul, Victorinox

Many people are concerned about issues such as returnable containers in goods transport, but no one sees solutions.

Daniel Röhlin, Ex Libris

If someone on the roadside sees the wreck of a car after a traffic accident, this will trigger anxiety as an emotion and create the motivation to pay attention to safety when purchasing their next car. Motives provide orientation for action, they are consistent beyond the moments of the emotions experienced and can be called up from the mind, which is not the case for emotion. In a consumer survey on their personal requirements for a car, the consumer would answer that their car must be safe. But this does not rule out the possibility that the same consumer, unexpectedly offered an old convertible as a second-hand model, will buy this exact unsafe convertible the next day. The stimulating emotions triggered by the convertible have a higher weighting at the current moment than the basic motive of safety – the emotion of fear is not mobilised in this situation.

If one follows these considerations, humans are not by nature designed to assert their principally existing motives over strong emotions. It is no coincidence that the consumer goods industry lives to a considerable extent from imbuing its **products and services with strong emotions**. The conclusion is in line with last year's finding: sustainability yes, refraining from consumption – i.e. positive emotions – no.

The logical consequence is the combination of consumption and sustainability. One solution that is currently increasingly being observed in the food trade is identifying animal products with a label for the quality of animal husbandry. Besides the alternatives of «ignorant consumption» and «consistent veganism», this offers consumers a **third option**: a tasty animal product combined with a good conscience with regard to animal husbandry.

A second solution is at **regulatory level**. In principle, consumers want sustainable products, but they do not want to fight any internal conflicts when deciding whether to purchase. In Switzerland, a certain degree of social pressure has already arisen that value-oriented companies are following. But widely implemented sustainability is probably not achieved by customers demanding it, but by **legal regulation that is accepted by customers**. This acceptance would have to translate into cheaper products that do not meet minimum standards disappearing from the shelves. This could also help lagging industries such as fashion. In any case, sustainability has already become a political trend. This leads to the expectation of more far-reaching measures than the economy self-regulating. It is hoped that sustainability will become a matter of course one day. Until then, it offers vendors the opportunity to differentiate themselves at this level (Chap. 4.4).

But it should not be forgotten that sustainable products are often more expensive than conventional ones and are therefore not a viable option for some of the population. **Stephan Widmer** of Beliani, for example, points out that **sustainability is less of a concern in Poland than in Switzerland** in view of the lower purchasing power. But the less sustainability is an exception, the smaller the price differences should be.

So far as sustainability efforts in the companies themselves are concerned, **Daniel Röhlin** from Ex Libris notes that **the low-hanging fruits have all been picked because they also bring advantages to the companies. We now need brain power to find solutions for the big sticking points, such as reusable containers**. The influence of employees should also not be underestimated, as they themselves are increasingly making sustainability demands on their employers as well. Many companies have therefore already revised their mission statements, so sustainability and the **corporate purpose** can no longer be overlooked. Sustained effort is also needed now, as an accusation like greenwashing could cause significant reputational damage.

Thesis 5: online vendors with stores are more than an exception

It is now considered normal for stationary vendors to also have online stores once they reach a certain size. But what about vice versa? When Galaxus announces that it is opening its own beauty salon in Zurich called **Beauty Lab by Galaxus & En Vogue** [17], it makes you sit up and take notice. Galaxus did the same. Four years ago Zalando took this step with its «Beauty Station» in Berlin. Even more surprising was the news in December 2021 that Home 24 was taking over the Butlers chain with 130 stores in 11 countries. It has been five years since Amazon acquired the Whole Foods chain of stores. But five months ago, it was announced that Amazon was ending its physical bookstores and two more stationary experiments. What is the trend now. Are online vendors increasingly going stationary?

For primarily online vendors, it's an advantage to have a physical face with a store. Orders from the region will also increase.

Roger Bühler, Franz Carl Weber

Beliani will not make the mistake of opening stationary stores.

Stephan Widmer, Beliani

If a vendor is set up purely online, it will remain like that. Otherwise, it would have to set up difficult processes.

Sebastian Paul, Victorinox

We've introduced ship from store in some of the branches, from where we selectively ship the slow-moving items to reduce price markdowns.

Beat Grüning, Tally Weijl

The participants in the study panel were sceptical about this. Only a quarter believed that stationary service points or retail outlets from primarily online vendors will increase over the next three years. There is an undisputed argument for this, but only one: online retailers find that they receive **more online orders** from regions where they have a stationary contact point than others. This can be clearly seen at store openings. All other approvals for more stationary commitments are rather vague or there are quite solid reasons for them. For example, the German online bicycle specialist Rose now operates 15 Rose stores in Germany. But bicycles are a special category because of their continuous need for servicing. Bike brands have a problem in online direct sales in regions where they have no physical service points.

The only apparently successful branch concept of a pure online store in Switzerland is **Digitec** with its ten stores. They are operated according to an innovative concept as brand ambassadors, as service points and as showrooms for selected items – there is no self-service for customers. But this concept is not suitable for all ranges, as one participant from the fashion industry has noted.

If you read Galaxus' media release on the opening of the beauty store in more detail, it does not reveal any vocation for stationary retail: «With the 'Beauty Lab by Galaxus & En Vogue', we are meeting the demands for a high-quality online and offline experience of the **prestige and luxury brands**,» the responsible category manager is quoted as saying. And immediately after that, it is added that online retail will remain the core business of Galaxus. So it is the premium brands whose products a truly *pure* online player will not get in the selective distribution concepts of the brands if it does not also stage them physically somewhere. Galaxus has once again found a clever solution by sharing the store with a beauty service provider – so keeping costs as low as possible.

Other purely online vendors, such as BRACK.CH, are also familiar with this sometimes seemingly stubborn doctrine of the brands. At their remote headquarters, they installed a showroom in a lively warehouse to satisfy the brands. There is no stationary ambition behind this either, and BRACH.CH CEO **Marc Isler**, like Stephan Widmer von Beliani, is one of the study participants who say with conviction that they will **continue to not open any stores**.

The reasons for this reluctance are also clearly stated: it takes completely different skills, infrastructure, processes and calculations to operate stationary retail. Onliners lack this expertise. And overlaying the whole organisation with a second business model that is so complex risks diluting the success factors for the online business. The experiences of multi-channel vendors prove these fears right. What is interesting about the answers, however, is that it is these same multi-channel vendors who think that online vendors would or should also be involved in the stationary sector.

Thesis 6: stationary stores as hubs for deliveries – fairly unlikely

There is a great deal of uncertainty when it comes to opinions on **regional deliveries from stationary stores**. The issue is on the radar, but most do not yet have a clear idea of whether and under what circumstances this is a sensible scenario. The issue has been fuelled by two recent developments that are currently attracting a lot of attention: quick commerce for ultra-fast food deliveries and Zalando's Connected Retail.

The topic should first be defined. The thesis put forward for discussion explicitly spoke of regional deliveries made promptly by stationary stores. This is a possible development of an alternative to the logistics prevalent in e-commerce, which is delivered from one or two central warehouses throughout Switzerland, usually overnight. Priority shipping therefore achieves the service level of next day delivery. But there are other concepts which deviate from this.

Tally Weijl, for example, has started to send some **national standard orders** from selected stores. **PKZ** has also thought about this, but ultimately moved away from it due to the complexity. Zalando's Connected Retail programme, in which independent retailers handle fulfilment for Zalando orders from their own inventory, is, like Tally Weijl's, not regionally focused. In such cases, it is a question of using stores as decentralised warehouses to compensate for certain disadvantages from the company's own centralised warehousing.

We've stepped back from considering "ship from store". It is just not worth bringing in so much complexity into 40 stores.

Reto Senti, PKZ Burger-Kehl

I don't believe in deliveries from stationary stores. It's just hype.

Roger Bühler, Franz Carl Weber

Fulfilment from branches is a nightmare from a processing point of view.

Marcel Dobler, 2019

Franz Carl Weber

When it comes to competition, the simplest shopping experience for the respective customer's situation wins.

Katrin Tschannen, Migros Online

Quick commerce will not go away, as that's a customer need. 40% of purchases are unplanned, after all.

Dominique Locher, Farmy

myMigros is performing above expectations. There are now more than ten branches in the cooperative regions of Aare and Zurich where myMigros orders are prepared.

Mario Runco, Migros Aare

"Aldi now" as a pilot with deliveries from a branch in Zurich went better than expected. We're continuing the trial and want to optimise it in terms of costs and processes.

Jérôme Meyer, ALDI SUISSE

Where immediate availability of goods is crucial to success, decentralised warehouses will continue to be needed in the future, including in stores.

Pierre Wenger, 2018,

Interdiscount | microspot.ch

Fast deliveries from stationary stores may be in demand for food. In our experience, this is not really a customer need in home electronics.

Malte Polzin, PCP/STEG

Decentralised delivery from dark stores must also be distinguished from delivery from consumer stores. Dark stores are small warehouses for local delivery and are set up and optimised for this purpose only. Delivery often takes place by bike or small electric vehicles. Dark kitchens are the kitchens of restaurant delivery services that do not have a physical restaurant attached to them. They are primarily designed for delivering ready-to-eat food, but may also have a collection counter.

Another deviation from the delivery standard is **same-day delivery concepts**, which some vendors offer as a chargeable delivery option for some postcode areas. The deliveries come from the central warehouse, which means that the order must be received by a certain time and a regional delivery service must be connected to the delivery address.

This distinction alone shows that **delivery logistics are becoming more and more differentiated**. Delivery on the next day or the day after is the standard, pick-ups in stores or from parcel boxes are an exception and same day delivery, which is usually subject to surcharges, is a very rarely used exception. After consumers learned about the wide range of shopping and delivery options during the pandemic, the way in which and when they receive the goods is becoming increasingly important for the choice of vendor and channel. This recently became particularly apparent in food, where e-commerce really got off to a flying start from 2020 and also achieved the highest growth among the various product groups in the first half of 2022. At the same time, the supply options for food are growing rapidly. The level of performance is being driven by Farmy, which offers three delivery time slots daily in its A-zones and advises of the exact arrival time, and also by quick commerce pioneers such as **Stash**. **Farmy** prepares the orders in Switzerland in two logistics centres, **Stash** in dark stores, i.e. neither in retail outlets.

Valora is currently testing whether quick commerce can be operated more effectively from dark stores, even if you have branches. «While **avec** now delivers from the **avec** store in **Hardplatz** in Zurich, **Valora** in **Basel** is testing its own storage rooms as a starting point for orders» [18].

This is not yet the case with **myMigros**, Migros Aare's pilot project for fast food deliveries. Here, the orders are prepared for each delivery area in a selected store. After the surprising launch of **Aldi now** at the end of 2021, **ALDI SUISSE** is also preparing – or rather having prepared – the orders of the first pilot of home deliveries from the store's range from a branch. At **Aldi**, this is what service provider **Annanow** does. In both cases, these are pilot projects in which picking from a store is the lowest-threshold trial solution. However, pure branch-picking is not expected to continue in the long run. The long distances for pickers, the time-consuming filling of shelves geared towards consumers and other reasons are arguments against. It can be assumed that the two major distributors will do a lot more in this area in the next few years.

The desire for speed or immediate availability is the driver for the development of decentralised fulfilment concepts (see chapter 7.3: local logistics supply). This combines food and non-food. But in the non-food segments, demand for very fast deliveries seems to be much lower than for food and ready-to-eat meals. This may also have to do with the thinking patterns of both the customer and vendor, as in-house deliveries are commonplace in B2B business relationships. In B2C, they can be found in isolated cases, for example at pharmacies. In the case of stationary stores, the current stock level is in most cases not accessible online at all. The online stores of chain stores usually have availability from the central warehouse. The **online availability of the local stock** and a user-friendly findability of the articles would be the prerequisites with which every store could in theory become the starting point for prompt, regional deliveries. The transport can be handed over to local couriers in more and more cities. Every vendor must decide for themselves whether this makes sense. It is also a question of positioning. If you see yourself as the vendor for a certain area in one location, you may not want to lose your customers even when they need something urgently. And it's a question of the price and service levels. **Jelmoli** in Zurich always offers its customers a home delivery service, including for people who shop in person in the department store.

In summary, it can be deduced from the discussion of the specified thesis that **decentralised fulfilment concepts are on the way**. The fact that this is done from ordinary stationary stores is regionally conceivable on a smaller scale. On a larger scale, for economic reasons this can probably only be imagined, if at all, as an addition to a larger fulfilment solution.

2 Digression: the Swiss Marketplace Group - a major coup!

- This chapter is a commentary on an important event in Switzerland.
- A powerful online player has emerged – in Swiss hands.
- Conformity with Swiss values can be expected from this company.

From the point of view of e-commerce in Switzerland, the **most significant internal industry event** of the past year is probably the merger of numerous well-established Swiss online marketplaces into the Swiss Marketplace Group SMG. These include Ricardo, anibis.ch and tutti.ch in the horizontal marketplaces sector, as well as around ten vertical marketplaces in the areas of real estate, vehicles and finance/insurance. The platforms previously belonging to TX Markets and Scout24 Switzerland were merged into the joint venture in 2021. This is owned by two major Swiss media companies, TX Group and Ringier, as well as Mobiliar and the international financial investor General Atlantic [19].

Almost since e-commerce began, the companies which have now merged have found their toughest competitors among their new colleagues. Neither of the two media groups wanted to leave the field to the other, which led to sporting but not fierce competition. Switzerland thus achieved a top ranking in terms of marketplace density, as measured per capita. The individual platforms are state-of-the-art, have well-established brands, offer their customers good services and, overall, also produce financially good results for their owners. Together they are a **giant** in the Swiss market – but a **dwarf** on an international scale.

Following the merger in the Swiss Marketplace Group, Ricardo, tutti.ch and anibis.ch have more power to hold their own against foreign competitors.

Francesco Vass, Ricardo

Because of its naturally regionally oriented products and services, the classifieds market – a safe business for newspaper publishers before the internet – was closed nationally. This has been changing for several years with the increasing monetisation efforts of global online platforms, especially Google and Meta. For their part, the two major Swiss media companies have opened up to the digital economy early and consistently, thinking ahead and proactively responding to recognisable threats. What distinguishes them is their **ability to seek solutions with competitors** when they cannot do it alone. This is what makes SMG possible, even if it is not a love affair, but rather a brain affair, as CEO Gilles Despas puts it [20]. A decisive response to the impending competition in job advertisements from Google for Jobs was the JobCloud joint venture back in 2013, which later also included JobScout24. JobCloud gained a dominant market position, which the Competition Commission found in 2015. But one way of eliminating effective competition was not recognised, which is why COMCO did not intervene [21]. The merger to form the Swiss Marketplace Group was not examined by COMCO, but a **very dominant position is evident**. In some vertical areas, which used to be characterised by a duopoly, the tipping point was reached after the merger, beyond which new competitors with the same business model no longer have a chance to build up a relevant range of products and services. The SMG intends to use this to further grow – based on other developed services – and to massively increase the company's value and go public in the medium term. The truce, the savings and synergy potential and the focused development power are the right framework conditions for this. Finally, a **really powerful marketplace with high earnings potential** in Switzerland is operated by a Swiss company for once!

This is not always met with enthusiasm by their commercial customers, from whom most of the revenue comes. Estate agents, for example, take issue with SMG's property portals for adopting a hybrid role as service provider and competitor, using the data they gain from users' activities to shift revenue opportunities from agents to the platforms [22]. This is a typical platform conflict that happens in many industries and the criticism is justified. The European Commission has been conducting investigations against Amazon in its dual role as a platform and retailer for years. In the case of SMG, the competition has not gone as far, but the conflict over the right to the data accruing on the platform is basically the same. In spite of this, the creation of a powerful Swiss marketplace platform is good news.

To understand this, two characteristics of digital platforms need to be considered. Firstly, that they have a very large potential benefit in their domain for all stakeholders. Online marketplaces make the matching of supply and demand very low-threshold and are therefore a significant **economic factor**. Secondly, the specific characteristics of the platform economy mean that **only the largest vendors in a segment can really earn money**. Profitability is also a prerequisite for its continuous development and innovation. A fragmented Swiss vendor landscape has no chance in global competition. But if we have to accept that sooner or later a dominant player will prevail in every platform segment, then it is desirable that for once it is a Swiss player. The reason for this will be taken up again below.

Classified marketplaces benefit in particular if several factors come together:

- Reach through free, horizontal - i.e. cross-sector - C2C classified marketplaces such as anibis.ch and tutti.ch;
- Value-added services on a horizontal marketplace such as Ricardo to increase the scale and quality of supply and professionalise transactions;
- Vertical marketplaces – i.e. ones geared towards individual industries – such as Homegate or AutoScout24, which expand the range of services with specific functions and services by enabling professional vendors to work effectively with them.

The large **media reach** that SMG has through its shareholders is another success factor. This can help to provide many people with really attractive products and services. As a result, the marketplaces are becoming more effective and, consequently, attractive to new vendors and buyers on both sides. This will enable good returns to be achieved. Of the first three factors, the free C2C classifieds are generally low-return, and all three platform types are capital-intensive and risky investments to build.

Attacks from **new competitors**, unless they arise from within the industry itself, typically take place via the horizontal C2C classified marketplaces. For these, the market entry barrier is low from a technical and organisational point of view. The big challenge is the range. This is where the **strengths of Google and Meta** comes into play: they already have the reach, including in Switzerland, and their platforms are used for bidding and search requests without any effort on their part.

Even before the launch of the Facebook Marketplace in Switzerland in 2017, there were countless regional or thematic flea markets on Facebook, many of which worked quite well. With its Marketplace, Facebook improved functionality for this purpose. The benefit of the free tool for Facebook and for Google comes primarily from the increasing intensity of use and the higher quality data due to the structured nature. Introducing marketplace functions is a small matter for the global platforms. If they are successful in this, they will lay the foundations for new revenue streams by gradually expanding their platforms into lucrative verticals.

This is why it is so important for Swiss marketplaces to keep refining their functions, to increase convenience, especially for posting offers, to work against deception and fraud, to ensure an ever more attractive range of products and services and to match suitable buyers. Only when SMG reaches the tipping point of the critical number of users of a digital platform will the market no longer be attractive to competitors. Unlike Google and Meta, however, SMG will have to fund these efforts via the business itself.

SMG now has all the prerequisites for this. The offering it has developed over the last few decades also plays a major role in this. There are probably only a few people in Switzerland who haven't already done something on a Swiss online marketplace at some point and are now not recorded in the SMG database. This puts it in **a league with Google and Meta** in terms of reach; no other Swiss company in the consumer goods environment can match it. Through the range of topics of the various marketplaces and in connection with the user data of the media companies in the shareholder group, it also has – similar to its competitors – a depth of profile that is necessary for displaying relevant information. The user data of the media portals are of high quality because they are collected uniformly via OneLog AG, which was also founded in 2021 by the TX Group and Ringier, and brought together within the scope of the legal provisions applicable in Switzerland.

To continue to grow, we must first and foremost increase supply; the demand is there.

Francesco Vass, Ricardo

Our focus areas are simplifying customer processes and increasing trust in the platform.

Francesco Vass, Ricardo

If we want to continue to generate added value with digital platforms in Switzerland in the future, then the founding of SMG is the only logical consequence. We also feel obliged to operate on the basis of a Swiss set of values. [23]

Martin Waeber, Director Real Estate Swiss Marketplace Group

In this arrangement, SMG can be seen as a **bastion for defending this market segment** in Switzerland against powerful global platforms. Why is this important? It is about much more than homeland protection and a few hundred jobs. Firstly, it is a matter of ensuring that these marketplaces function properly as an economic success factor. Secondly, it is about having the central resource of digital platforms, the **data**, available in Switzerland and being handled according to **Swiss values**. For undeniably, strong platforms have a relevant potential for abuse in various respects. Besides misuse of personal data, the market transparency created solely for the platform can also lead to market distortion. Several global platform companies have not had any scruples in this regard. Integrating global platforms into our existing value and legal system is a Herculean task that the European Commission has been working on for over ten years.

It is better if the **platform itself**, through the people and organisations that run it, is **aligned with the values** that are important to Switzerland. This is exactly what can be expected from the Swiss owners of SMG. The two large media groups and Mobiliar, which is based on a cooperative, are among the companies that embody Switzerland historically, culturally and economically. If the business conduct of the Swiss Marketplace Group's platforms were to run counter to Switzerland's values in a significant way, this could result in reputational damage for its shareholders and entail economic risks. SMG can be expected not to be forced into a legal corset, but to subordinate itself to **Swiss market requirements out of its own best interests – also on a cultural level**. Volunteering is the price of freedom, an original Swiss attitude once vocalised by Migros founder Gottlieb Duttweiler. To ensure that this remains the case, it is to be hoped that the majority of SMG's shares will remain with shareholders with close ties to Switzerland even after an IPO.

Part 2: change of epoch and greater variety of products

Part 2 deals with the interpretation of current market events and their consequences for the development of distribution. Firstly, the results of the previous year are reviewed, along with the idea of the change of epoch and elements of the right mindset. The diagnosis for the current market situation identifies overdistribution as the key term. This forces vendors to differentiate - and a wide range of options are presented for doing so. Retail is focusing on values and service.

3 Characteristics of the 2020 change of epoch

- This deals with what exactly is meant by the concept of a change of epoch.
- The term tipping point means a change in the understanding of the world of commerce, rather than the expectation of a suddenly steeper rise in e-commerce sales.

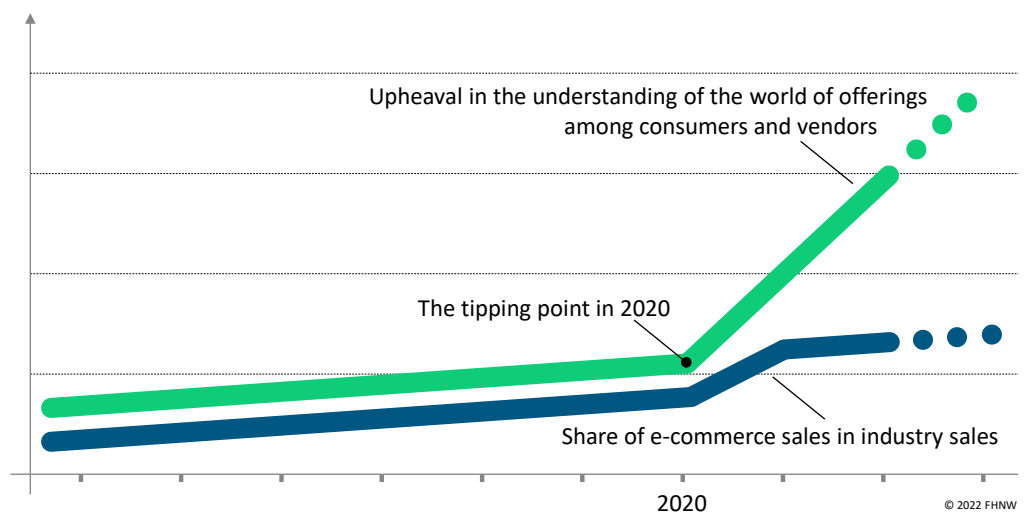
Online food retailing entered a new epoch in 2020.

Philippe Huwyler, coop.ch, 2021

The analysis of the results in the 2021 academic year showed that the impact of the pandemic on the distribution of consumer goods equates to a change of epoch, with 2020 being the tipping point. This contentious interpretation by the study authors has been tested in this year's study and attempts have been made to determine whether and with which arguments the participants confirm or contradict it.

Fig. 15 illustrates what is meant by the term *tipping point*. It refers to the **mental orientation** of both consumers and vendors in relation to the distribution of consumer goods. Until recently, this was dominated by the traditional idea that stationary trade was at the heart of the concept and that other channels were complementary. That is no longer the case. It may be a very important touchpoint for consumers for a long time to come and an efficient method of distribution for everyday goods. However, the statements of the study participants confirm that in-store processes are just one of several options to complete a purchase process. The stimulation and information phase is taking place less and less in stationary retail anyway. Consumers have tapped into the networked trading world, and vendors have accepted this. Of course, this trend began many years ago, but it took the pandemic to brake old thinking habits. 2020 was *the tipping point*. This does not necessarily mean that the growth of the e-commerce share in the industry volume will accelerate sharply. Online sales took a leap in 2020, but in the historical course of transformation this is insignificant.

Fig. 15: The tipping point in 2020



To test the interpretation of the trend as a change of epoch, the participants were asked about a series of theses, the origin of which lay in observations made in the previous year's study. All theses presented received a very high level of agreement from the study participants and could be further specified and differentiated by their arguments.

The following explanations describe the result. Overall, the statements of the study panel confirm the designation of the event as a change of epoch. They do not expect a trend break in the significant growth of e-commerce compared with the market in the foreseeable future.

3.1 Consumers' new attitude

- Old shopping habits were broken during the lockdowns.
- The population made huge strides in their knowledge of the use of digital services.
- Flexible combinations of different channels – smart shopping is the new normal.

Many people only got to know Farny during the pandemic. They are now staying and the average basket of goods is still bigger than before coronavirus.

Dominique Locher, Farny

Customers are looking forward to a return to normality. In the meantime, however, they have learned to shop and organise themselves using their smartphones.

Tomas Prenosil, 2021, Coniferie Sprüngli

Physically or digitally, people shop where it fits best into their everyday lives.

Dominique Locher, Farny

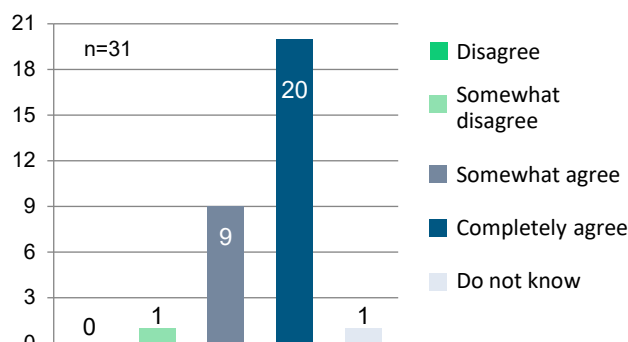
People combine the channels in the way that suits them best. They book online and then go to the travel agency to find out about entry regulations.

Erich Mühleemann, TUI Suisse

Consumers in 2022 differ from consumers in 2019. Before the pandemic, they were far more constrained in their shopping habits that had manifested over many years. Most of the new opportunities created by the internet were only used selectively and in addition. These habits were forcibly broken in the eight-week lockdown at the beginning of 2020. **Habits were reset.** Many options and forms of procurement that the internet and smartphones had made possible were used for the first time or for different categories of goods than before. Among other things, thanks to coronavirus certificates as a killer app for QR codes and the compulsory, almost daily use of apps, broad sections of the population acquired skills that were previously limited to digitally savvy people. After the situation in the retail sector had basically returned to normal for a few months in the second half of 2020, there was a second lockdown at the start of 2021, which had the effect of deepening digital skills training. Another effect is that forms of work have remained more flexible and daily routines more varied after contact restrictions were lifted. This has increased the need for different shopping options.

Across age groups and social classes, consumers have rediscovered **the variety of products and services**. This refers not only to different channels in which purchasing is possible, but to all phases of the buying process. There are many more options for each and they can often be combined in many ways. The majority of consumers now have a new level of expertise when it comes to smart, cross-channel shopping and consumption. Smart shopping is neither an ideology nor a trend: it is the new normal and replacing shopping in stationary stores as a predetermined, old normal. This does not mean that stationary trade is no longer in demand or that it will soon collapse – for consumers, it continues to be the best alternative in many situations, especially in the supermarket segment. But it is no longer the predestined source of supply. It is now just an option and its future success now depends on whether consumers continue to see it as the best alternative course of action for them in their future demand situations. Fig. 16 summarises the thesis on the new attitude of consumers. In previous chapter 1.4 are elaborated in the following sections: *Thesis 1: more flexible daily routines, greater variety of purchasing needs* on page 14 and *Thesis 2: new receptiveness to services and stable price sensitivity* on page 14.

Fig. 16: Consumers' new attitude to stationary and online



Coronavirus has shown not stationary or online – consumers want both, depending on the situation, in combination and within a single shopping process.

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3.2 The new attitude of companies

- For vendors, this shift in customer behaviour means a loss of control.
- Even previously hesitant companies have quickly recognised the change of epoch.
- Vendors are acting and want to become part of the networked trading world.

If, as a vendor, you rely solely on stationary stores today, it will now be really difficult.

Sebastian Paul, Victorinox

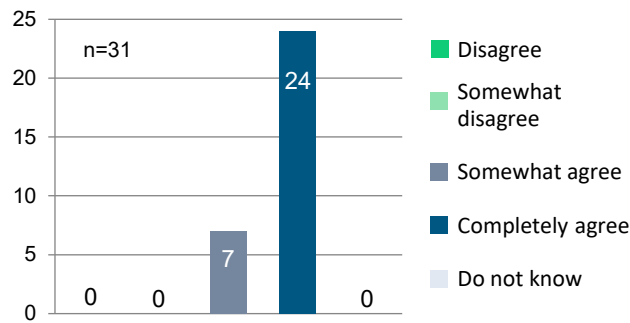
Now even the hesitant companies are shifting their focus to online and omnichannel.

Marc Isler, BRACK.CH, 2021

The smart, cross-channel actions of consumers mean even more diverse and fragmented customer journeys and a further loss of control for vendors. To not fall further behind, they need to open up to channel diversity and find a way to position themselves within it. Even hitherto hesitant traditional retailers recognised this during the first lockdown in 2020. Whether they called it that or not, most recognised the dam breaking – hence the term change of epoch. Some had to reorient themselves first. Others who already had an idea of where the journey was taking them have now made decisive progress: financial resources freed up or reallocated, efforts intensified, new projects initiated – in some cases even a strategy review. A jolt went through all levels of the companies. The need for action did not have to be explained to the employees first. There was an understanding of the **need to act**.

The prerequisites for companies to survive in the new situation were and still are very different. In the focus edition of the Commerce Report 2021, these prerequisites are discussed for four types of companies with different levels of development: leaders in transformation, omnichannel vendors in the leaders group, the problematic midfield, and traditionalists and slow followers [24]. A high degree of adaptability is one of the most important prerequisites for success today – all study participants agreed with this finding in 2022 (Fig. 17).

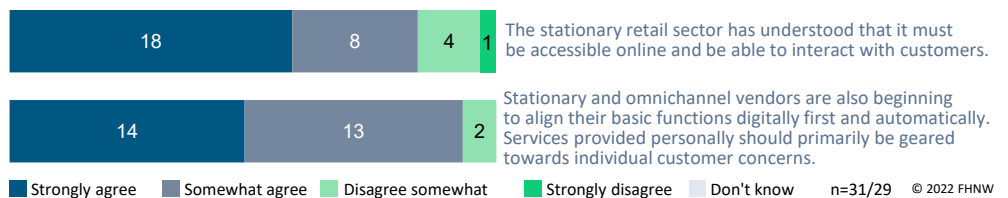
Fig. 17: Businesses need to be adaptable



The winners are the companies with the greater dynamism and adaptability to a world where customers want to use different channels with maximum flexibility. ©2022 FHNW

Two further thesis were used to check how far the study participants see the change of mind on the vendor side having progressed. Fig. 18 shows the formulated thesis and the distribution of answers. They are covered in more detail in the following two sections.

Fig. 18: Two indicators of the changing attitude of companies



Be accessible to customers and able to interact with them

- Those who can only be reached through stationary must be prepared to lose regular customers.
- If you do not know your customers, you cannot actively communicate with them.
- Not all of them can become omnichannel champions – individual concepts are needed.

Today, you can set up an online store in just a few days. But if you don't have a good strategy, it's not worth it.

Allen Krief, DeinDeal

A large proportion of stationary retailers don't even know their customers – this means they can't actively communicate with them.

Peter W. Gygax, Carletto

For retailers who may be big in their region, it's often very difficult to be relevant online.

Marc Isler, BRACK.CH

Many retailers do not see the way in which they can participate in the networked trading world.

Peter W. Gygax, Carletto

The flexibilisation and digitalisation of contact options with the travel agency and travel experts has become established, including video and chat advice.

Erich Mühlemann, TUI Suisse

A small stationary vendor does not necessarily need the entire, expensive transaction machine. It may be enough for them to get attention online, e.g. via Instagram.

Samy Liechti, BLACKSOCKS

During coronavirus, a lot of Whatsapp business has arisen, a lot of small companies are doing it.

Friederike von Waldenfels,
Swiss Commerce

During the lockdowns, non-food customers had no opportunity to shop in a store at all. The option is there again today, but they know the alternatives and may not want to make the journey as often as they used to. If you can also be reached by customers in other ways and are able to interact with them, you have not necessarily lost them. Four-fifths of the study participants believe that vendors have now understood this.

One of the most important comments about this thesis is that understanding alone is not enough. It also requires a different attitude, determination, willingness to invest and to create the internal conditions. Of course, this also requires a strategy. Just a Google Maps entry or an online store without a mature, organisational backend is not enough.

A symptomatic and major deficit is that most retailers, including larger chain stores, **do not know their customers at all** and consequently cannot actively communicate with them. They lack the creativity to create products and services that are naturally linked to customer identification and could form the foundations of a customer relationship management (CRM) concept. This is also a symptom of a questionable mindset, namely the basic attitude in stationary retail that the customer comes to them as a matter of course. (chapter 0).

It is legitimately argued that it is virtually impossible for stationary retailers to compete with large online vendors in e-commerce for the same products. Knowing this, some do not even address the issue and do nothing. Others became active and inventive during the pandemic to show their regular customers: «Hey, I'm still here to take care of your needs, even if you can't come into the store!». They do not expect to be able to win new customers on the anonymous internet but are creating new communication channels to remain accessible to their existing customers and to be able to interact with them. It is a mindset that is commonplace with online vendors: **thinking in terms of customer lifetime value**.

Several study participants report examples in which retailers spontaneously found low-threshold solutions or initiated a determined entry into a lasting transformation that impressed them. Two conclusions from this can be noted here:

1. It does not necessarily require an online store, or at least not an online store at the same level of the big e-commerce vendors. It is repeatedly said that there is a lack of low-threshold omnichannel solutions. However, it can also be promising to develop specific solutions **for very specific customer needs** and to implement them pragmatically, for example with WhatsApp or video chat. In an article by Nadine Baeriswyl, HANDELSVERBAND.swiss comes up with suggestions for individual solutions [25].
2. The **organisational solution** is just as important as the technical one. If a vendor offers accessibility via chat, there must also be someone to conduct the chat – at the promised times and in the customer's language. The service will impress the customers if this person can immediately and competently deal the various customer concerns. However, very few employees will be able to do this, unless they have digital services available in the background that give them the ability to act as needed: find a suitable product, clarify availability, change an order, make a decision in a goodwill case, and so on. An expert, polished customer service can be the anchor in a customer relationship. But if the service does not meet a customer's expectations, they will come to the conclusion that next time they would rather go straight to the larger, more professional platforms.

The expectation of such a conclusion was the reason why, in addition to the discussed thesis dealing with the frontend, the requirements regarding the backend were also addressed in the survey. This is what the following section is about.

Creating basic functions digitally and automatically

- Success in e-commerce requires mature backend processes and services.
- Situation-oriented digital services provide solutions on demand.
- Digital services can also improve the quality of personal advice.

«**Customers are more open to services, but they don't want to pay for them**», this quote by Roger Bühler from Franz Carl Weber was shown in chapter 1.4 This is a dilemma for traditional retail as well as for online retail. At the same time, life circumstances, products and services, and customer concerns are changing faster than ever.

The demand for services is increasing and with it the opportunity to differentiate oneself as a vendor of commodity products through the service (chapter 0).

For online retail, it is in the DNA to provide services digitally and interactively online, both internally and externally. This provides discipline. In the barometer edition of the Commerce Report Switzerland 2021, it was pointed out that the business will «blow up in your face» with high order volumes if the processes behind it are not sufficiently mature [26]. Customer service was one of the biggest bottlenecks during the pandemic – vendors upgraded this area.

We're extremely busy searching for and finding specialists.

Dominique Metz, VELOPLUS

In traditional retail, digital services are not part of companies' DNA. Supermarkets and department stores were designed according to industrial principles like machines where customers serve themselves autonomously. This sometimes earned them the title of a *service desert*. Speciality stores are sticking to the concept of skilled labour, but skilled labour is becoming harder to find as demands increase. In addition, skilled workers are expensive. The difficulties faced by specialist retailers are also linked to the fact that it is so difficult to **meet higher service expectations**.

Where we make our services online-compatible, efficiency increases, partly also in the stationary processes.

Marcel Schaniel, 2018,
Möbel Pfister

Ambitious omnichannel vendors have therefore also been using digitalised services since around 2015. The difference between a digitised service for people and the functions of business software is that the person searching does not have to fight their way through complex screen masks and programme structures. Instead, online services designed specifically for this purpose are provided for specific concerns or business transactions. They guide users to their destination with just a few clicks: on demand and with an instant solution! At Veloplus, we have moved on to making **innovations online as far as possible so as not to put a burden on the store organisations**, reports Dominique Metz.

All standard processes must be automated so you have time for the customers' important concerns.

Daniel Röhlin, Ex Libris

Digital services are sometimes equated with self-service, where customers have to do everything themselves. One participant said: «Automation is the right approach in many areas, but we will continue to serve top customers very personally.» But that is a misunderstanding. The only role of digital services is to create the **ability to act through specific online services** regardless of who is requesting to use them. If an employee in a department store had to look up the availability of an item in another store in the inventory management system, the process would be complicated and lengthy; the person would also have to have access to the inventory management system and be able to navigate it. If, on the other hand, they can simply call up a service designed for this purpose on their tablet or smartphone, they can provide the information immediately while the customer is standing next to them. Once the service is set up, customers could also access it themselves from home if that suits their situation better. Setting up digital services supports employees in providing personal customer service. They bring about **empowerment**, especially to young professionals. But it is appropriate to offer the services to the customers as well. Orell Füssli, for example, provides its employees with *Guisela* - the *Guided Selling app*. On the tablet, it helps with providing advice on the store floor. This is the same function available to end customers in the Orell Füssli app under the name *Buchkompass* (book compass). PKZ and Interdiscount have also equipped their employees with appropriate small aids.

Our employees are empowered by the large range of standardised services.

Dominique Metz, VELOPLUS

Digital services are a tool for quickly providing increasingly complex solutions to frequently recurring needs in an easy way. Relying on digital services requires a change of mindset (see paradigm 2 in chapter 0), precisely defined processes, and IT that can make them possible. All three factors are an obstacle in most traditional companies. That is why the requirement for agreeing with the thesis put forward for discussion was chosen to be very low: «Stationary and omnichannel vendors are also *beginning* to align their basic functions digitally first and automated. ...». Beginning means that the first step of a rethink has taken place. This is the only explanation for the high approval rate shown in Fig. 18. In fact, most traditional vendors still have a long way to go.

3.3 The right mindset as a success factor

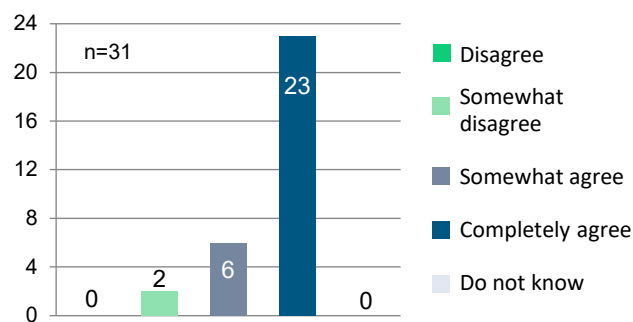
- It is not stationary or online that distinguishes the winners in the structural change, but the mindset of the vendors in the networked trading world.
- Seven paradigms that characterise the mindset are detailed one after the other below.
- The central message of each paradigm can be seen in its title.

Those who are in competition, should ask themselves which factors have the greatest influence on their success. This also applies to retail. Is online the superior concept or stationary or perhaps omnichannel? Even if, for now, online products and services are the winners following the coronavirus crisis, success is by no means reserved for pure online players like Digitec Galaxus, Zalando, BRACK.CH and Beliani. A number of traditional vendors with omnichannel strategies, such as IKEA, Möbel Pfister, the Coop supermarket division, Ex Libris and Orell Füssli Thalia, are also doing very well. And some branded vendors such as Nespresso, Apple and Betty Bossi continue to be at the forefront in their domain.

The analysis in the focus edition of Commerce Report Switzerland 2021 identified the relevant differentiating factor: the **winner among the sales concepts** is the side with the greater dynamism and adaptability to a world in which customers do not choose between stationary and online, but want both together. It is not stationary or online that is the winner, but the **mindset and working methods**, how sales concepts are managed in the networked trading world. It is the paradigms of online vendors [27].

Firstly, the objectives of this year's survey were to check whether the study participants agree with the thesis of the mindset as a basis for success. Secondly, the elements of the mindset should be identified more precisely and described as paradigms so that readers can compare them with the attitudes of their own organisation.

Fig. 19: The mindset and approach confirmed as key success factors



It is not stationary or online that characterises the winners, but the mindset and the approaches to managing sales concepts in the networked trading world. ©2022 FHNW

I don't think a certain mindset is enough – in the long run, I see pure online vendors as winners, not omnichannel vendors.

Stephan Widmer, Beliani

Fig. 19 shows a clear agreement with the findings from the previous year. Critical voices question the designation as a winner, especially in a longer-term understanding. Of course, the success factors found are not remotely complete for the success of the companies as a whole. They merely serve to identify differences in the attitudes of successful and less successful companies in the distribution of consumer goods. The temporal validity of the statement refers to the phase of market development initiated in the year 2020. Their duration cannot be predicted, but it is only a matter of time before they become obsolete due to new changes in the market.

Seven paradigms of successful vendors

Seven identified paradigms are described below as elements of the mindset of successful vendors. For a better understanding, their most important characteristics are named and in some cases supplemented by examples. Basically, the approval rate for all seven paradigms presented was high to very high, some formulations were able to be refined thanks to the discussions.

It's striking that customers' attention needs to be won anew every day, but it's how I actually see it.

Roger Bühler, Franz Carl Weber

As a company, you have to invest in excitement and desirability so that you don't have to win over the customers' attention every day.

Lars Feldmann, Betty Bossi

Customer care, CRM, tailor-made products and services, these are becoming more and more important – the activities needed to win the attention of customers every day anew.

Daniel Röthlin, Ex Libris

In stationary retail, too, services have to be digitalised and automated – not least for the employees so that they can provide tailored advice.

Pierre Wenger,

Interdiscount | microspot.ch

IT is included in all the success factors that you have listed. It's the only way to be successful.

Roger Bühler, Franz Carl Weber

We must be committed to constantly improving, experimenting and innovating in every initiative.

Jeff Bezos, Amazon 1999 [29]

Flexibility and partnerships can also compete.

Study participants

P 1: customers' attention of has to be won anew every day.

Of course, the basic attitude of stationary retail already assumed in chapter 0 on page 25 that the customer naturally comes to them and not the other way around is just as striking as the opposite formulated here. Accordingly, this thesis creates a contradiction. This is partly because it is difficult for online vendors to survive if they have to win over every new customer every time. Then, as one study participant puts it, they would be far too dependent on the GAFAs, which he calls pathfinders [28]. All study participants are familiar with this problem and are working at varying levels of intensity to reduce this dependency.

Marc Isler from BRACK.CH explains that although they also invest in sustainable customer relationships, they still have to regain their **attention very often because many customers keep comparing product prices.**

Pierre Wenger from Interdiscount, head of almost 200 stores, disagrees with the notion that stores have only ever been about unlocking the door in the morning and customers pouring in. Of course, the stationary trade is also continuously engaged in advertising and sales measures. But as a large part of its customers remain anonymous, it cannot communicate in a targeted manner and mobilise customers.

As a **mindset** and not taken literally, the paradigm that the attention of customers must be won anew every day was generally accepted.

P 2: wherever possible, solutions should be based on digital services and be able to run automatically.

The classification of digital services as a tool for **creating the ability to act** has already been discussed in detail in chapter 0 from page 27. Initially, the thesis was not always understood correctly in the interviews. Sometimes it was associated with the idea that digital services would be set up instead of personal services. But this only depends on how they are used. Pierre Wenger's quote opposite shows that digital services are intended to support employees in providing a personal service.

Not losing the human touch, as one study participant put it, is always a balancing act when using digital services. This also applies to digital self-services, which, if they are well designed, are very much appreciated by many customers. But according to Tomas Prenosil from Confiserie Sprüngli, it should not be the case that **customers have to go through 20 digital steps before they finally receive personal service.**

P 3: market dynamics force constant improvement and search for innovation.

This thesis on the compulsion for constant improvement did not trigger much discussion. The emphasis here is on *compulsion*. The background to this is the very high speed of change that digital services and business models exhibit. Some well-known digital entrepreneurs are known to be **downright paranoid**. That's why they always want to take the next step themselves before someone else can steal a march on them. First and foremost here is Jeff Bezos, founder of Amazon. In his newsletter to shareholders, customers and employees looking back on 1998, he wrote that he constantly reminded his employees to be afraid and to wake up every morning full of fear. That is because their customers are only loyal to Amazon until the second someone else offers them a better service [29].

P 4: flexible partnerships are key to moving forward quickly.

The most controversial issue is the attitude towards partnerships. As in the previous paradigm, there is a tension here between preserving and changing. In their comments, some participants emphasise that there are areas where the stability of partnerships is key, rather than flexibility. However, this does not refer to strategic partnerships in which long-term divisions of labour are agreed upon, but to situations in which it is a matter of moving forward quickly. This is precisely because the term partnership is associated with something permanent, the ability to enter into, operate and also dissolve partnerships quickly and flexibly can be a differentiating success factor.

You should be flexible and open to partnerships, but also not to let go of the control of certain things.

Marc Isler, BRACK.CH

Partnerships with other companies can also be very time-consuming.

Stephan Widmer, Beliani

Networking will continue to increase, as will speed. The challenging part is recognising the relevant trends, because you can't do everything.

Pierre Wenger,
Interdiscount | microspot.ch

A high level of structural and organisational adaptability? That's hard!

Study participants

In an ever faster changing environment, speed is critical. The goal is to efficiently and effectively identify and develop new, future-proof sources of income for Migros.

Mario Runco, Migros Aare, 2021

In our organisation, we want decisions to be made where the expertise is, regardless of the hierarchical level.

Marc Isler, BRACK.CH

Cultural change and IT are the biggest challenges in the transformation – apart from costs.

Roger Bühler, Franz Carl Weber

In situations where new services and business models need to be tested very quickly with minimal effort, it is questionable whether the necessary resources should be built up by the company itself or brought in flexibly. An example of this is that Migros Aare initially implemented its myMigros concept with regional deliveries from a branch with its own specially built delivery fleet. This test run needed more time than the comparatively spontaneous trial launched by ALDI SUISSE in December 2021. Aldi relies on the service provider Annanow both for picking in the store and for delivery. Other examples include the expansion of BRACK.CH's consumer goods range with popular items from the German drugstore chain Rossmann and the inclusion of part of the Decathlon range in the Galaxus platform – regardless of possible conflicts of loyalty with Migros sister company SportXX. One participant in the study also mentioned that there is often potential for partnerships within their own company or group of companies that is not always easy to activate.

Being part of the networked trading world also means not doing everything in-house. In the digital economy, **competence sharing** has become widespread and made easier with technology. You can benefit by making your skills available to third parties in the form of services, thereby benefiting from economies of scale and gaining in importance. Or vice versa, using services from third parties so as not to have to build them up yourself, acquire expertise and tie up capital and staff capacity. Successful vendors often seem to rely more on pragmatics and less on «politics» to get ahead.

P 5: speed is important and requires a high structural and organisational adaptability.

Rapid progress was the central aspect of the previous paradigm. Here it is again about speed, but in relation to the adaptability of one's own organisation. Since 2020, adaptability has been at the top of management's agenda. Due to the fact that, after the experience of working from home, an extensive presence in the office cannot quite be re-established as the standard in many companies, the topic has gained additional importance. Large traditional companies in particular are struggling, and some purely online players are already looking ahead.

We don't know what the future holds. That's why we want a resilient, very agile, fast organisation, with powerful, autonomous teams that have their sensors out, get solutions on the ground quickly and develop them further. Dominic Blaesi, Flaschenpost

Although some time was spent on this topic in the interviews, in summary, not much more than its high importance can be reported here. The stages the companies are at varies too much organisationally, their cultures and the paths they are pursuing are too different. Some vendors in the study panel use modern methods from the Scrum world or leadership according to the OKR method (Objectives and Key Results) made famous by Google.

P 6: teams should largely decide for themselves. Competence has the lead and hierarchy sets and observes the guidelines.

The final formulation for this paradigm was only found with the feedback from the first interviews. Here, too, there is a connection with the previous paradigm, as it must be clarified in the organisation how competences and responsibilities are distributed. The thesis assigns tasks and areas of responsibility to both decentralised teams and senior management.

Discussions show that there are difficulties at all levels and in all directions: with the bosses who micromanage or with the teams who do not want to take responsibility. The assertion is made that decisions should be made as low down in the organisation as possible, and this is contradicted because the best decision from the point of view of a team cannot be the best decision from the overall point of view. It was also mentioned that especially in very successful companies there is a discrepancy between what is defined as the official guidelines and the hierarchical procedures that are practised in everyday life.

It is a challenge to attract employees who enjoy working in such a dynamic environment.

Roger Bühler, Franz Carl Weber

Intrinsically motivated employees who feel comfortable in a dynamic environment?

There are not many to be found.

Most are afraid of such requirements. There's a discrepancy here between aspiration and reality.

Samy Liechti, BLACKSOCKS

Finding agile, qualified employees is becoming increasingly difficult.

Nicole Pfammatter,
Hotelplan Suisse

The labour market has dried up.

Tomas Prenosil,
Confiserie Sprüngli

The most important field of action is clearly the maximum digitalisation of processes and customer relationships.

Erich Mühlemann, TUI Suisse

Customer-oriented, integrated and automated processes are the be-all and end-all for competitiveness.

Pierre Wenger,
Interdiscount | microspot.ch

In terms of trends, those that can run automatically in the background will prevail.

Marc Isler, BRACK.CH

P 7: employees have to cope with working in a dynamic environment.

This seventh thesis received the highest level of consensus. A study participant noted that the statement also applies to managers. The wording *employees have to cope ...* already expresses that coping in a dynamic environment is not something that can simply be taken for granted. **Samy Liechti** from BLACKSOCKS sees a **discrepancy between aspiration and reality here**. After all, the requirement does not apply equally to all areas of work. In accounting and in certain logistics areas, uniformity is very important.

Some pure online players seem to be able to attract the right people. Other participants, on the other hand, said that in the end only the people who can cope with the strong dynamics stay with them. But that is also a wonderful point. Since the start of the study series, there have not been as many **statements about staff shortages** and problems with recruitment in any year as there have been in 2022. Several companies therefore want to become more involved again – especially after the long period of working from home – in order to better integrate their employees.

Farmy is a start-up, so adaptability is in the DNA of the employees.

Dominique Locher, Farmy

Meta's employees have a high tolerance for ongoing change, which is anchored in our corporate culture. Silvano Senn, Meta

We need our employees to be flexible. But the employees are also demanding flexibility from us, e.g. working from home. This is a balancing act, as we want to keep the good people. Stephan Widmer, Beliani

Our adaptability has increased with the coronavirus crisis and remains very important with the fluctuating volume of bookings. For this to work, there has to be a give and take in all areas involved. Erich Mühlemann, TUI Suisse

Classification of the right mindset as a success factor

The compilation of the seven paradigms has an inner logic that only becomes apparent at second glance:

- Paradigm 1, *the attention of customers must be won anew every day*, is the greatest external challenge in the networked trading world: access to customers. For every vendor, the question of its relevance to its customers arises. This includes being perceived by the individual customer and having relevant information – i.e. services or products – for them. **Customer orientation** is therefore reflected in finding and creating opportunities to communicate with customers about what is relevant to them.
- Paradigm 2, *solutions should be based on digital services wherever possible and be able to run automatically*, is the greatest internal challenge: to be efficient and achieve positive economies of scale to such an extent that revenue is generated. In the networked trading world, it is crucial to understand **processes and products as services**. They must be organised in such a way that they can be integrated into different contexts internally and externally and create value. Some study participants missed the potentials arising from the use of new technologies and data in the paradigms. These two aspects are subsumed here under the terms of digital services and automation.
- Paradigm 3, *the dynamics in the market force constant improvement and search for innovation*, stands for a requirement of the consumer goods market that is new in this form. It has always been said that *retail is change*. But over the past 75 years, retail has been characterised by stationary business and therefore static in one crucial success factor: location. Today, there are **hardly any permanent pole positions**. Vendors are compelled to keep on winning them over.

Paradigms 4 to 7 are four organisational levels at which a vendor implements its business model:

- Paradigm 4, *flexible partnerships are the key to moving forward quickly*, addresses the integration of a vendor into a value network. To meet new requirements more quickly and flexibly within the association, **flexible partnerships are sought** that are in line with requirements and could very well last for a long time.
- Paradigm 5, *speed is important and requires a high level of structural and organisational adaptability*, concerns the **structural level of the organisation**. It should be able to adapt quickly to changing framework conditions (resilience).
- Paradigm 6, teams should largely decide for themselves. Competence has set the lead, hierarchy sets and observes the guidelines, formulates characteristics of the **operational level of a flat organisation**.
- Paradigm 7, *employees must be able to cope with working in a dynamic environment*, focuses on the personality of employees. Their most important characteristic is to **remain healthy and motivated** in a dynamic setting.

These seven thesis on the paradigms of superior vendors in the networked trading world could have been formulated five years ago.

Friederike von Waldenfels,
Swiss Commerce

It remains to be seen whether this mindset will lead to long-term successful business models.

Lars Feldmann, Betty Bossi

Paradigms are not images of reality, but in this case **models for ideal-typical characteristics**. This is about characteristics for the presentation of study participants from companies that are given the best chance of success after the change of epoch in the distribution of consumer goods. None of the characteristics in themselves are new, as is the case for most of the other phenomena described in this study. What is new is the overall picture created by the particularly successful vendors in the change of epoch in 2020.

The paradigms were primarily derived from the statements of the study participants in 2020 and 2021. They are not set in stone. As Fig. 15 illustrates, it is expected that consumers' and vendors' understanding of the world of commerce will continue to change in the coming years. This could also lead to changes in paradigms for vendor success factors – at the latest at the next change of epoch.

4 Intensified competition and necessary differentiation

Besides the changed attitudes of consumers and vendors, the change of epoch is being accompanied by a trend that has also been on the horizon for some time, but which is now becoming even more acute: overdistribution. In combination with a continuing trend towards increasing market concentration, it is accelerating the stiffening of competition.

4.1 Rampant overdistribution and persistent concentration

- The reach of the internet is undermining locally oriented distribution.
- Overdistribution means that there is an oversupply of buying opportunities.
- Shifts in investment towards e-commerce are weakening traditional traders.
- At the same time, an increasing concentration on the vendor side is expected.
- Many vendors are being compelled to reorient themselves and look for differentiators.

If supply and demand are roughly balanced in a market, then everyone can live well. But the consumer goods market has come to a halt. Not because there are many more or fewer suppliers or many more or fewer consumers, nor because much more or less is being produced. What is out of kilter is distribution. Their task is to transfer consumer goods from manufacturers to end consumers. In Switzerland and other Western markets, **overdistribution** has been building up for years and is becoming increasingly **rampant**. There are probably not more than ten vendors in each sector that are causing the imbalance: Google, one to three online marketplaces, one to three strong online stores and one to three price comparison and social media platforms. The **trigger is the reach of the internet**. Whereas stationary stores and physical markets always serve only a regional audience, a single Galaxus website is open to all potential department store customers, and a single Zalando is open to all fashion buyers. All you need to do is be prepared to use the internet instead of going to the store.

Overdistribution means there is an oversupply of buying opportunities for the same products. In 2021, regionally oriented sales formats had already lost about 14% of the market volume to e-commerce since it started. If the value of all stationary retail in Switzerland is measured by its sales potential, as is usual for commercial real estate, this value decreases year on year. The shift in purchasing power is gradual but already visible in retail structures. After consumer usage competence in and acceptance of online products and services jumped from 2020, a continuation of the trend of channel shift towards online is generally expected. **Investments on the vendor side** are shifted from traditional to online channels. Three-quarters of respondents said they are currently investing more in e-commerce than in previous years – in none of the five preceding years was the agreement with this statement so high. This means that performance in online channels continues to improve, while **traditional commerce is lagging** behind in terms of performance.

Besides overdistribution, a second finding from the survey shows that there is a **concentration on the vendor side** in many industries. This means that the largest vendors account for an ever-increasing share of the industry's sales volume, Fig. 3 on page 5 shows this trend for the last five years. Even taking a 2030 perspective, the majority of study participants expect concentration to continue to progress (Fig. 20, top statement, green columns). On the other hand, however, in chapter 1.4 the trend that at first glance does not match this was noted that on the consumer side the **variety of shopping preferences has increased** (Fig. 13). What conclusions can be drawn for vendors from this situation?

Overdistribution is a huge problem.

Study participants

There will be a strong concentration in e-commerce. There is no room for a large number of vendors.

Pierre Wenger, 2021

Interdiscount | microspot.ch

There's overdistribution in our industry – at the same time, there are bottlenecks in the availability of goods.

Dominique Metz, VELOPLUS

The more the price of a product is comparable, the more the trade margin will come under pressure.

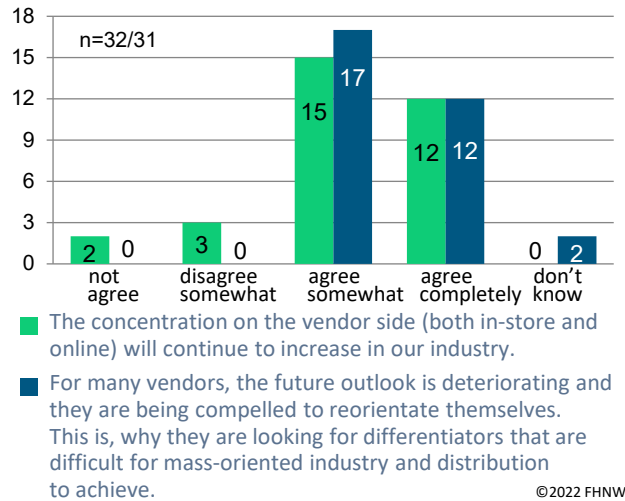
Pierre Wenger,

Interdiscount | microspot.ch

If you look at how much is invested in e-commerce, you have to expect further growth.

Marcel Schaniel, Möbel Pfister

Fig. 20: Progressive concentration on the vendor side and compulsion to reorient



Most vendors in the travel industry are in a commodity market that is overdistributed. That's exactly what people are looking for: differentiation.

Erich Mühlemann, TUI Suisse

To find answers to this question, a number of thesis were formulated, which were discussed in the interviews. A detailed thesis on the **necessity of reorientation provided the starting point** (Fig. 20, blue columns):

For many vendors, the future outlook is worsening and they are being compelled to reorient themselves. This is why they are looking for differentiators that are difficult for mass-oriented industry and distribution to achieve.

With two abstentions, there was no disagreement about this thesis, but more than half of the approvals are rather weakened by the word *somewhat*. This shows uncertainty, which the linking of several partial statements contributes to. The interviews showed that the participants agreed with the worse future outlook and with the search for differentiators. However, the fact that these differentiations are only possible with difficulty for mass-oriented vendors aroused doubts. And rightly so, because this part of the thesis proved to be unsustainable, as is explained in chapter 0

4.2 Need for differentiation

It is only by price or product range that it difficult to differentiate.

Mario Runco, Migros Aare

In the commodity sector, price remains the dominant decision factor.

Erich Mühlemann, TUI Suisse

Our most important area of action is still very clear: securing cost leadership.

Jérôme Meyer, ALDI SUISSE

Availability was the trump card in 2020. Price was suddenly less important, as was fast delivery.

Pierre Wenger, 2021, Interdiscount | microspot.ch

After coronavirus, even at a very good price, customers are not often willing to wait several weeks for a product.

Allen Krief, DeinDeal

- Overdistribution leads to a commoditisation of products and services.
- The decisive feature of a commodity is its price.
- A differentiator is more important to the buyer than the price.

Overdistribution turns a very large amount of the products and services available on the market into commodities. This means that they have no relevant differences for the customers and are therefore interchangeable. This is due to the multiple sources of supply for a product and to the product alternatives offered primarily online – at Galaxus, for example, under the title «You might also like this».

To be successful with **commodity offers**, there is one crucial characteristic of products and services and two secondary conditions. The two secondary conditions are the **current availability** and **proximity of the vendor** or fast and easy delivery as it is known in the market. But in most cases the feature that is decisive for the purchase is the **lowest price**. For a low price, economies of scale in particular are an important prerequisite. As soon as one of the two conditions is no longer met, the product or service loses its ability to be a commodity and the market reopens to vendors below the top group with the best price. Since 2020, availability is less self-evident than before for many products as a result of supply bottlenecks. Vendors who have scarce products available have pricing leeway and can earn very well from them. A lack of proximity or a delivery time which is too long and no longer meets customer expectations has the effect of being unavailable to consumers and nullifies the advantage of an attractive price.

To avoid the **commodity trap** of a lack of differentiation from competitor products and services, **differentiators** are sought. They are those characteristics that are **decisive** for a customer in a specific situation to choose a product or service, even if it would not be the first choice in terms of price or proximity. But the evaluations are very individual.

For one person, an ON running shoe is a functional, high-performance product which helps improve performance. For another, it's a must-have fashion label, while for a third, it's just an attractive sports shoe that they picked up the last time they went to a shopping centre. A fourth person goes to the sports retailer they trust, conducts a running analysis there and follows the recommendation of the specialist salesperson to buy a specific model from ON.

If positioning is based solely on the product offered for immediate purchase, the vendor is interchangeable if the product is widely distributed. Therefore, **branded products** are problematic for a retailer in terms of differentiation opportunities besides price and immediate availability. With the four previously mentioned demands of different customers on ON running shoes, in the first two cases the product can easily be ordered from the brand's online store and a retailer is not necessarily required. In the third scenario, the display at a retailer triggers a spontaneous impulse to buy, while in the fourth, the retailer's service makes all the difference. **Services for the product are the domain of the retailer** – the product itself is devalued by overdistribution. Services often go hand in hand with physical services to be provided locally, call for a good understanding of the local target group and the knowledge of how to best reach them through communication.

The following three chapters describe options for differentiation. By a clear majority, the participants in the study attributed to all of them the potential to bring about a differentiation between products and services in certain purchasing situations and therefore to defuse the focus on price.

4.3 Differentiation through resonance with target customers

- Lifestyle products and services have a particularly high potential for differentiation.
- The core of a brand identity can be a product, company or person.
- Overdistribution is a particularly big challenge for branded products.

Product-service combinations that embody a certain lifestyle and enable the customers to connect their own identity with this lifestyle are considered by the study participants to have the greatest potential among the differentiation possibilities. Superficially, it is about products and their characteristics. A consumer survey would predominantly produce rational reasons for a purchase. However, the special **lifestyle matching of a product or service with its target group** is decisive for a purchase. It is often reflected in the emotional experience of a brand, in what it means to the buyer and what the products mean for the perception of the buyer in their social environment. Beat Grüring from Tally Weijl sums up the decisive characteristic for consumers: **it must be magical!**

The **brand identity** can be attached to the product and its staging, to the retail company or to individual personalities. A Rolex watch is a globally recognised luxury product, ON shoes show their wearers as ambitious and sporty, and Migros iced tea is cool. As a retailer, Farmy makes local products trustworthy and gives its customers a good feeling when shopping. The local bookstore is the 'place to go' and the unconventional advisor at the travel agency has understood what matters to their customers on holiday. A testimonial from the world of social media could be: *with this influencer's YouTube videos, I can stick to my fitness programme.*

Retail companies can also adopt a brand identity that is close to that of a personality. On the internet, this is done through content and story telling, examples of which are Galaxus or About You. Betty Bossi is also one of the Swiss success stories. Some vendors also manage to build communities around their topics, such as reitsport.ch and other niche online stores aggregated in the Swiss Commerce Group. Digitec has an active gaming community and Orell Füssli has started to build up a book circle community. Probably every person has product or vendor preferences that put the focus on price in second place.

Branded products are characterised by the fact that they stand for something and therefore have an identity. Nevertheless, overdistribution is a particularly big problem for them. They are easy to find on the internet, the products are always the same. On top of that, the brands virtually force their retailers to always present the products in a predefined way. This makes it virtually impossible for the retailers to distinguish themselves qualitatively with their products and services for the brand products.

Our added-value strategy for bicycle purchases includes 15 explicitly formulated added values.

Dominique Metz, VELOPLUS

With new lifestyles, alternative approaches to wine are emerging, which are less stuffy and also attractive to young buyers.

Dominic Blaesi, Flaschenpost

A brand that clearly stands for something will continue to function as a differentiator in the future.

Sebastian Paul, Victorinox

Tally Weijl's skill and constant challenge is to exhibit a modern kind of sexiness.

Beat Grüring, Tally Weijl

Lifestyle-oriented performance characteristics play a role especially among the young generation with their strong affinity for social media.

Nicole Pfammatter, Hotelplan Suisse

As a result, many retailers are left with only lower price to differentiate themselves from the competition – thereby undermining the brand value. The fact that the brands are tackling this is having a major impact on the distribution structures. This topic is dealt with in greater detail in chapter 7.4

4.4 Differentiation through product features

- Sustainability is an important decision-making criterion for comparable products.
- Besides the current industry programme, the internet makes an almost infinite spectrum of new and used niche and long-tail products accessible.
- With topic-focused vendors, trust and authenticity are the deciding factors.

Value-oriented product features

After lifestyle orientation, the study participants attribute a particularly high differentiation potential to value-oriented product features. This corresponds to the currently **strongly increased expectations** of sustainable and value-oriented action throughout society. (Chap. 1.5).

Besides general quality characteristics such as freshness and a long service life, the focus is currently increasingly on aspects such as healthy, regional, organic, sustainable, safe, recyclable and repairable. They are primarily rational criteria that are also linked with consumer identity. They are more anchored at the level of consciousness and not, like lifestyle aspects, at the less conscious level of emotion. For a probably smaller group of customers, sustainability characteristics are strict criteria when it comes to product selection. For a probably larger group, sustainability is the deciding factor if the product meets the requirements and the price difference with other products and services is assessed as being not too high.

Vendors of all sizes and formats are committed to value-oriented product features, with the two major distributors Migros and Coop leading the way with numerous initiatives. But ALDI SUISSE, which focuses on price leadership, also emphasised its value orientation and measures in the area of sustainability [30] in its 'Fairbruary' campaign at the beginning of 2022. Several study participants note that it is difficult for them to differentiate themselves with value-based product features. This is especially the case when they have little **influence on production conditions**, which is the case for the IT and consumer electronics industries, for example. **Capacity bottlenecks on the part of the producer** are also a braking factor. According to Bio Suisse, 15,000 more hectares of arable land are needed to meet the demand for sustainably produced food, but switching to organic farming is a multi-year process [31].

Some people see being able to differentiate themselves with value-oriented product features as a temporary opportunity. They expect a number of new regulatory requirements to be introduced in the next few years, which all companies will then have to comply with. This will reduce the differentiation options for individual vendors.

On the other hand, there are always new opportunities to excel at this level. For **Erich Mühlemann** from TUI Suisse, flexibility is also **one of the value-oriented differentiators, as it gives customers security**. In the travel industry, there is currently a high need for security due to the many global uncertainties, and the products and services have been adapted accordingly.

Non-commodity products and long-tail products

Most of our consumer goods are produced according to the **industrial logic of mass production**. It achieves the lowest price per unit, especially if production is carried out in countries with low production costs and a weak currency. In many sectors, overdistribution goes hand in hand with overproduction, which is ultimately pushed into the market with price discounts. The sense of value for these products is falling and the increased awareness of sustainability is triggering unease. Against this background, products that obviously do not correspond to the zeitgeist of current industry programmes are gaining in appeal. With non-conformist purchase decisions, buyers are expressing the individuality of their personality.

Agriculture in Switzerland is on the verge of a new flowering.

Jérôme Meyer, ALDI SUISSE

When it comes to toys for young children, the origin and sustainability of the products is an important issue.

Peter W. Gygax, Carletto

Differentiating oneself with value-oriented product features is becoming increasingly difficult.

Markus Büchel, ON

In the fashion industry, customers are not very value-oriented.

Beat Grüning, Tally Weijl

Sustainability-oriented product features hardly play a role in customer decisions in our industry. The general change in attitude is happening at industry level and becoming a commodity.

Malte Polzin, PCP/STEG

Niches are gaining in importance. In the case of food, for example, people love small vendors and trust them. The industry, though, has lost credibility.

Samy Liechti, BLACKSOCKS

Own brands are also a differentiation approach, especially in competition with strong brands.

Marc Isler, BRACK.CH

Good niche online players will continue to have a place alongside marketplaces.

Friederike von Waldenfels,
Swiss Commerce

The Swiss market is simply too small for long-tails.

Samy Liechti, BLACKSOCKS, 2015

Digitalisation is enabling more niche players.

Katrin Tschannen, Migros Online

Besides second-hand goods, Ricardo is also ideally suited for returned goods or excess stocks from the trading in new goods

Francesco Vass, Ricardo

We achieve customer proximity through community ambassadors.

Friederike von Waldenfels,
Swiss Commerce, 2021

The Betty Bossi culinary brand clearly radiates over to the value perception of Coop's Betty Bossi product line.

Lars Feldmann, Betty Bossi

Other consumers have very specific interests and preferences for niche topics. The products are not commodities. The sources of supply are not obvious and often have to be sought out. Some have only been produced in small quantities or only small quantities are available from a previous product series. The scarcity of these products can be part of the appeal they create. The commitment to and eventual success of finding them are part of the shopping experience. These products are called **long-tail products** [32] because in a graph showing sales volume per unit, they show the long right end with the countless products that achieve very little demand. If they were in a store, they would be the unprofitable slow sellers. As e-commerce has a greater reach than stores, long-tail products can be marketed online, with the Swiss market in turn having very little potential compared with the EU. Nevertheless, there are also countless small online niche stores in Switzerland that typically cover a very specific area with content and also sell products. One example of this is **mofakult.ch**: born out of a hobby involving mopeds from the 1960s to 1980s, more than 30 people now work for the store and deliver more than 10,000 spare parts and other articles from the warehouse in Frauenfeld to the world. For some of the items, there are no competing products and services for new goods at all. There are also Mofakult tutorials on YouTube, and the channel has 11,300 subscribers. Niches can be quite big, or become quite big with a passionate protagonist. Besides passionate niche online stores, long-tail products are of course also sold on the large national and international online marketplaces.

There is also a large supply and high demand for niche products on online marketplaces that focus on second-hand goods and supplement them with new non-commodity goods. Francesco Vass of Ricardo reports that **Ricardo is increasingly seen as a shopping alternative to conventional retailers**. The platform has been working on this for a long time. In contrast to classifieds marketplaces such as **tutti.ch** and **anibis.ch**, Ricardo focuses on a high level of service in the processes on its platform: functions for increasingly easy posting and entering of offers, more efficient processes through all phases of selling and buying, and more security for buyers and sellers.

Products from topic-focused vendors

For some vendors, niche stores are part of a focused orientation. They focus on passion, expertise, content, a stable, well-defined target group and sometimes a community. The topics are linked to activities, magazines are sometimes published, and events or trips are organised. If you want to be active, you need products. Of course, these products are discussed and recommendations are made – **the seed of social commerce**. Topic-focused vendors' stores are characterised by their cross-category range and comprehensive product content.

For example, **reitsport.ch** was launched over 15 years ago as an online information platform, marketplace and horse market. In the meantime, **reitsport.ch** has become one of the largest online stores for horse sports products in Switzerland under the umbrella of Swiss Commerce. The operators of the store are closely linked to the community and keep in continuous contact with ambassadors from the community in a targeted manner.

The example of **Betty Bossi**, already mentioned under the heading of brand identity, has a different genesis. But here, too, the focus is on a passion – originally functionally conceived for nutrition, and long ago value-oriented for cuisine. Essentially, Betty Bossi continuously develops recipes for current trends. These are published in numerous print and online media, including the Betty Bossi Zeitung, the highest-reach paid magazine in Switzerland. Besides the recipes, Betty Bossi develops kitchen aids and sells them in Switzerland with great success in its own online store, and abroad in some cases also via online platforms.

4.5 Differentiation through product-service bundles

- Purchase, purchase motive and use offer numerous starting points for services.
- The following pages deal with many examples from the interviews.
- The motto of this approach is: from product to superior service.

If you can't differentiate yourself via the product itself or its price, this must be done via services.

Pascal Schneeбели,
Orell Füssli Thalia

Differentiation through product-service combinations aims to enhance **an interchangeable product with a linked service**. For the target customers, this gives the product and service an individual, sometimes locally bound value. Three types of services are discussed below:

- Services that increase the convenience of shopping
- Services tailored to the specific customer situation
- Leisure/shopping combinations

Services that increase the convenience of shopping

Among the three service variants, the study participants believe this category has the highest potential. Besides a number of special cases, such as deliveries and returns in the furniture sector, there are two key topics: proximity to customers and the low threshold of the purchase.

Locations and formats are decisive in stationary retail

Access to customers through proximity – in stationary retail, **locations** and the optimal formats for the location continue to be the be-all and end-all. If a suitable store is only a few hundred metres away, it is the best shopping alternative in many demand situations. This applies primarily to **food and supermarkets**. Because residential neighbourhoods have been boosted due to the only partial reduction of working from home, there have been reassessments of locations. The density of stores could increase even further now: small and local supply formats are being expanded, while large areas are being reduced. The three discounters Denner, Aldi and Lidl also want to get closer to their customers and open around 40 new stores every year. Savings and volume are also increasing the number of sales outlets.

We want to get closer to our customers and optimise this by moving our stores to better locations.

Malte Polzin, PCP/STEG

The experimentation with different formats in the supermarket and convenience segment also aims to improve the quality of the service offered by stationary retailers. The aim here is to offer better tailored product range/service combinations with different location types. This involves the type and scope of the range, the speed of shopping and the experience factor. In parallel, more flexible delivery options for online orders are being experimented with. This is taken up below under the topic of quick commerce.

Large spaces will probably be less important in the future. That's why we are currently testing various new types of small and local supply formats.

Mario Runco, Migros Aare, 2021

For Aldi, increasing the number branches is the greatest potential for further growth. That's why we're opening 10 to 15 branches every year. We want to get out of the niche.

Jérôme Meyer, ALDI SUISSE, 2021

Our branch expansion is continuing, with four more bookstores to be added in 2022.

Pascal Schneeбели,
Orell Füssli Thalia

No statement can be given here on the plans for the number of locations in the **non-food sector**, as developments in the various sectors are too varied for this. Orell Füssli and PKZ are in the process of further expanding their proximity to customers through additional locations. With the exception of a few sectors and formats, large areas in the non-food sector also appear to be under more pressure. This trend can be interpreted in such a way that the branches continue to be accorded high importance as shopping and service points, but very large ranges are losing importance or are no longer economical. This is a significant development for the relationship between stationary and online channels: **the number of products made available for spontaneous pick-up in stores is decreasing!** But as consumer needs remain diverse, this trend is driving the shift to online channels. Stores in an omnichannel network are demonstrating this to customers themselves by making their virtually extended ranges, also known as extended shelves, orderable and immediately payable in the store, if desired with the help of sales staff.

Quick commerce

In e-commerce, **delivery options** are what proximity is in stationary retail. While the importance of next day delivery was discussed before the pandemic, the hot topic today is **quick commerce**. From the logistical point of view of the hubs for deliveries, quick commerce has already been discussed in chapter 1.4 in chapter 7.3, the approach is further developed in the section on *local logistics supply*.

Quick commerce will persist until 2030 in the long run. But none of today's models is already so mature that it could be carried forward into the future in this way.

Philippe Huwyler, coop.ch

When wholesale distributors have to pay CLA-level wages for delivery services, quick commerce will struggle to ever become profitable.

Lars Feldmann, Betty Bossi

It's understood in Switzerland that you pay for service.

Jérôme Meyer, ALDI SUISSE

Short delivery times are crucial in quick commerce. 30 minutes is already too long.

Dominique Locher, Farmy

Coop will continue to closely monitor quick commerce. But we are continuing to focus on optimising our existing presence and speeding up deliveries.

Philippe Huwyler, coop.ch

In our own travel agencies, we're driving forward the integration of digital consulting concepts – we call this Consulting 2.0.

Erich Mühlemann, TUI CH, 2020

There is a group of customers who don't want to click through the huge hotel offering on the internet, and they appreciate it if we make a suitable preselection for them.

Nicole Pfammatter,
Hotelplan Suisse

This is about differentiating the company from the competition by being close to the customers. Farmy's [Dominique Locher](#) pointed out the potential resulting from 40% of purchases being unplanned. In the meantime, there is widespread agreement among respondents that very fast deliveries are a **customer need** in the supermarket segment. There are doubts about the cost-effectiveness of the currently conceivable solutions – which is almost always the case with new concepts in e-commerce. The market potential is considered to be limited to metropolitan areas and within that to those households willing and able to pay for services such as quick deliveries of small baskets of goods. Of course, vendors need a critical mass to be able to buy the goods at sustainable prices, pay the couriers with standard market wages and bear the costs of the organisation – none of the pioneers in Switzerland has yet done so. There are major differences in opinion on **how quickly** deliveries actually have to be made: between ten minutes and two hours are mentioned. But vendors also have a certain control potential here: they could combine shorter delivery times with a higher delivery fee, longer ones with a lower delivery fee. [Benno Burkhardt](#), partner and CEO of the lightning delivery service Stash, who was surveyed specifically on this point, can see such differentiations. The delivery fee would therefore vary with the level of convenience service. In his opinion, it is particularly important for the costs for products and delivery to be shown separately and transparently.

Concepts for prompt deliveries are also being worked on at the large distributors. Existing food e-commerce structures with shipping from large central warehouses are not suitable for this. They are predestined for planned large orders where a large product selection is important and delivery on a subsequent day is sufficiently fast. For smaller, even spontaneous orders from a smaller, possibly regional range, which are to be delivered more or less quickly on the same day, local hubs or branches are better suited. Both major distributors and the discounters have enough branch locations that can play a role here. It can therefore be assumed that in the future, food e-commerce will work with both central warehouses and regional hubs. How they interact is still being worked on. myMigros and Aldi now are still in development stages where the local mail order business runs in isolation and with only store picking (see also section on neighbourhood stores in chapter 1.5). Coop is still in the process of making preparations, which are not yet being communicated.

Proximity through connected physical stores

Several study participants have had very good experiences in giving their customers **video access to their stores** from home and especially to their consulting staff. This shows how the increase in expertise from the pandemic period, in this case through video conferences at home, is being transferred to shopping behaviour. In the Migros Group, specialist stores were very successful with a solution that Migros Aare operates for them. Video consulting has also become a sought-after standard service for Möbel Pfister, Veloplus as well as TUI's own travel agencies.

Two further digital services underpin the thesis of **retail stores as a frontend in the networked trading world**. At Orell Füssli, store collections got a big boost after availability query was combined with the option of reserving an item. ALDI SUISSE has taken the disruptions in the supply chain as an opportunity not only to make the current, store-specific availability of promotional items visible online, but also to offer customers the option of an e-mail notification when a delayed item arrives. In both cases, the purchase process begins in an online channel, while the branch is the place of collection and payment.

Curated ranges, differentiated search options and availability

Walking through endless labyrinths at IKEA may be a leisure activity for some, but it is annoying for others. Even worse is searching Amazon for a product with very specific features in a large product range. Huge, impersonal product ranges can only be used if the desired result is found thanks to suitable selection. Everything that contributes to this can be seen as a service. And **only what can be found can be purchased**. We will not go into detail here about the numerous possibilities offered by consultants, exhibitions, catalogues, relocalisation of the assortment, thematic focus, blogs, influencers, etc. We'll just say this: there is a lot of potential for improvement in developing a very large range of products and services. The possibilities from IT are not being fully exploited, neither in the stationary nor online sector - primarily because of insufficient product data and classifications.

The supreme discipline is to link articles that are physically present at a location with items that are not, to make them differentially findable, to present them in a suitable way and to be able to provide information about where an item is available and at what conditions it can be purchased at what time. Orell Füssli Thalia made big progress along the way in 2021. With barcodes on the shelves, you can continue browsing online on your smartphone in the exact range group that you cannot find in the store.

Personalised recommendations and product range presentations

Personalisation in communication and in the design and management of campaigns is a topic that has been in progress for a very long time. But most solutions are still not really convincing: we are regularly presented with suggestions that the vendor might theoretically know are not suitable for us. In online stores, it is customary to receive personalised recommendations. The idea of **personalised services is now spreading to supermarket ranges**, both in-store and online. As every household buys a typical selection of products on a regular basis, the process of preparing shopping baskets can be accelerated considerably if the display of the range shows my typical products and expected needs first. Coop started this in July this year, Migros has been doing it for a while with myMigros (see also the section on apps below). There is a lot of potential in other categories as well. As a rule, people still have to know exactly what they want to buy, even though they have already bought the detergent, the printer cartridge and the Hoover bags from the same vendor.

Simplicity in the checkout, both online and on the sales floor

Making shopping as low-threshold as possible has always been the goal of all retailers. On the one hand, it is about the speed and simplicity of the shopping process itself, and on the other, about lowering the mental barrier to purchase. When it comes to the speed of the shopping process, e-commerce continues to work on **simplified checkout and payment solutions**. Many vendors are constantly expanding their range of payment methods, financing services such as *instalment payments* or *buy now, pay later*. But after TWINT's unexpectedly huge success, Google Pay and Apple Pay are being implemented rather slowly.

In stationary retail, payment is **increasingly being offered on the store floor** instead of at the checkout and **self-checkout solutions**. With its subitoGo, Migros has introduced a mobile solution for paying without a checkout. The function is integrated into the Migros app, its use requires checking in at the store by scanning a QR code and then scanning the barcode of all items to be purchased. Payment is also made in the app at the end of the process. ALDI SUISSE is testing a similar system under the name Scan & Go. **Jérôme Meyer** from ALDI SUISSE observes that **customers who have once used a solution such as Scan & Go use it again and again as it saves them a lot of time**. While the self-checkout is convenient for a few items, the Scan & Go advantage is particularly acute for large shopping carts. Goods no longer need to be transferred from the trolley to the conveyor belt and back again for payment.

App value-adding features

Services connected to an app, such as subitoGo and myMigros, can have particular potential for customers and vendors. Both apps require participation in Migros' customer loyalty programme Cumulus, which creates a detailed picture of each customer's consumer behaviour. This data is the basis for the **app's value-added functions**. At Migros, this is a personalised display of the range, which speeds up finding the right articles and helps to not forget recurring needs. The app is an anchor in the customer relationship. It can also provide other services and incentives for a customer to enjoy using them. With the app, the customer relationship is lived in the sense that the vendor can actively communicate with the customer and make them beneficial offerings again and again. If the customer actually finds the offerings useful, it will create a bond. The app and the services based on the customer profile form the basis of a **long-term vendor-customer relationship**. If this is also put into practice in everyday life, the vendor has probably achieved the highest target that can be achieved in marketing.

One of our most important fields of action for future competitiveness is personalisation.

Philippe Huwyler, coop.ch

E-commerce will become more personal. This is something which the supermarket is struggling to do.

Christian Wanner, Le Shop, 2012

Where possible, we offer purchase on account, which increases conversion. We want our customers to be able to pay in the way that suits them best.

Stephan Widmer, Beliani

On our employee tablet app, we have the wireless payment function, among other things. This means that customers can pay in the store, reducing the pressure at the checkout.

Pascal Schneebeli, 2021

Orell Füssli Thalia

App-controlled systems are a nice gadget at first, but also create a lock-in effect – not because of the product, but because of the data.

Stephan Widmer, Beliani

We find that the immediate availability of our products is one of the most important factors and strongly influences the decision to purchase.

Paul Holaschke,
CEO Möbel Pfister [33]

For our regular customers, delivery subscription is simply the cherry on top of the cake.

Dominique Locher, Farmy

Using instead of owning – this is also an issue for BLACKSOCKS.

Samy Liechti, BLACKSOCKS, 2021

Our subscription model was hardly used. But of the customers who rented, many kept the furniture beyond the minimum contract period.

Stephan Widmer, Beliani

It is not easy to operate a subscription model profitably, especially with e-bikes, which require a lot of servicing.

Dominique Metz, VELOPLUS

Rentals of ski and bike equipment, which we broker to our retailers via intersport.ch, are growing every year.

Patrick Bundeli, INTERSPORT CH

Breaking down mental barriers

It is known from psychology and brain research that pleasurable shopping is confronted not only with practical hurdles such as store opening hours, but also with **mental barriers**. These occur in particular in connection with payments or in the event of uncertainties. Work is continuously being done to break down these barriers. An example linked to the current uncertainties when travelling is the «all-round carefree package» from Hotelplan and the «flex rates» from TUI Suisse. In e-commerce, it is above all the right of return of products granted by many vendors that conveys security. In some cases, stationary retailers are still struggling to accept the unconditional customer orientation that large online vendors have established in the market. Long delivery times are also a barrier, as customers want to experience the success from their purchase decision as immediately as possible.

Subscription models

Subscription models are a more comprehensive approach to reducing the mental barrier of recurring purchases, which has long been preoccupying the industry. Many participants in the study have already taken up the idea, some have made their first attempts, and the automotive industry is vigorously beating the advertising drum. But the big breakthrough in the B2C business is still a long time coming.

But first, a few examples of success: **Dominic Blaesi** from Flaschenpost reported in 2021 that their wine subscriptions are performing well. In the second year, they welcomed the thousandth subscriber. Delivery subscriptions seem to be resonating with groceries. Orell Füssli launched a flat-rate subscription for e-books and audio books in the summer of 2022. They are based on the Skoobe flat-rate offering, which has been tried and tested in Germany for years and offers more than 400,000 e-books. Finally, the range from subscription pioneer Samy Liechti actually belongs in first place in this study series: BLACKSOCKS sock subscription has been going for over 20 years!

A clear **shift from ownership** to the use of durable goods, which has often been a topic in the media in recent years, was not discernible in the panel [34]. Socks are a commodity, but they are also subscribed to as consumables and are not returned. According to **Markus Büchel**, **ON is planning a subscription** for the new running shoe Cloudneo: **besides convenience, this subscription also includes the recycling of used shoes** and therefore closes the shoe's life cycle. The subscription is aimed at the target group of highly performance-oriented runners who have to change their running shoes every few months.

Beliani retired their **furniture subscription** after a two-year term. Customers who used the rental model did well and there were no significant difficulties. As much of the furniture was rented beyond the minimum contract duration, it was also profitable. But the quantity structure was too small to maintain what was on offer. **Stephan Widmer** says that the market is not yet ready for it, and that they will look at it again in a few years.

VELOPLUS is about to start its **test run for an e-bike subscription with monthly rental**, which is planned for autumn. **Dominique Metz** says they had given a lot of thought to the precise design. Such a concept has several variables which are difficult to assess, so that both success in demand and profitability are fraught with uncertainty. VELOPLUS has already successfully launched another service for temporary use and with built-in customer loyalty: the **Flizzi Club**. According to **Dominique Metz**, this is a **trade-in offer for children's bikes, where you can trade in one bike at a time for the next larger model**.

What is striking about long-term rentals for more expensive consumer goods, known as subscriptions, is that **subscriptions always start** with a new product. As a result, they often have a relatively long minimum duration. If the subscription ends, the product is then reused. The reason for the restriction to new products is that reprocessing would be too expensive for the next customer. But since the monthly subscription fees also cover all professionally performed services during the usage period, they can be quite expensive for private individuals compared with own ownership. Besides the fixed term, this could be too high a barrier for many prospective subscribers.

Customisable products and services

Personalised products and limited editions are the driving force behind our own online store.

Sebastian Paul, Victorinox

Individuality, they want to be part of the product and exert influence – a giant cannot offer this.

Marc Isler, BRACK.CH, 2021

We're very successful with our product configurators.

Marcel Schaniel, Möbel Pfister

Last but not least, **customisable products** should be mentioned among the services that can increase the convenience of shopping. Customisation protects products from the commodity trap as they receive a feature at the customer's request that does not have a standard mass product. One simple example is ordering a standard shelf based on individual measurements. Personalised products are particularly popular as gifts. Examples include Lindt chocolate bunnies with a name on the collar, which Geschenkidee.ch offers, or personalised baby gifts from Petite Année. Hotelplan Suisse focuses its cross-channel sales concept for the Travelhouse brand on individualisation, as **Nicole Pfammatter** explains: **in the case of individual travel, we pursue a hybrid sales concept. People first find out online and the travel advisors then take care of their specific concerns and booking.** At the backend, however, it must be possible to process the individualised products automatically.

Although the service of customising products ties in with the customer's purchasing process, the **individual value for the customer** is not in the process itself, but in the result of the process. For example, creating an individual photo album for an anniversary is associated with an emotional boost. Or it can be a pleasant leisure activity to play through variations for your own home with an interactive furnishing tool. Others take great pleasure in having their vehicle, whether it is a car or a moped, tuned exactly to their own taste.

Personal shopping is also a business model that is geared towards individualisation, not in terms of the products, but to the individualisation of the consulting and sales process. It can be implemented both in-store – through arranged personal advice – and online. Outfittery is an online service where style advisors provide individuals with a tailored pre-selection of clothing items. Westwing offers a flat-rate per room furnishing consultation by interior designers. The items shown in the visualisations can be ordered using just a few clicks.

Services tailored to the specific customer situation

When stores open on a Monday morning at 9 a.m., there are often already ten people or more standing at the door with a flat tyre. All the mechanics will take care of the issue immediately.

Dominique Metz, VELOPLUS

Purchase frequencies for kitchen appliances are very low, so we strive for high contact frequencies with our recipes.

Lars Feldmann, Betty Bossi

While the services in the previous section were related to the purchasing process itself, services tailored to specific customer situations only become effective when the customer has purchased a product or service. They can be the anchor in **long-lasting vendor-customer relationships**. They offer strong sales arguments with customers who are uncertain about the subject matter or with products that repeatedly bring with them a need for expert support, physical or knowledge-based, in the course of their life cycle. The reason why high-quality bicycles and e-bikes are still predominantly bought in specialised stores with stationary contact points is the need for service. Accessory purchases, on the other hand, have migrated much more to the internet in the bike market. Software licences, extended with premium support, are another example of knowledge-based services. Betty Bossi uses its knowledge in the form of cooking recipes to stay in continuous contact with its target group and to keep the brand relevant. Monetisation is mainly indirect through occasional sales of books and kitchen utensils as well as licensing income from Betty Bossi-labelled products at Coop. But Betty Bossi goes even further. The various products are conceptually linked to each other: a recipe in combination with an appliance (e.g. the sous-vide cooker) and in addition an app for monitoring the temperature during cooking – this combination is almost a guarantee of success and that is exactly **what customers want: a sure success.**

Click & Collect continues to be in demand with us because many customers want to ask a quick technical question when they pick up the goods.

Malte Polzin, PCP/STEG

Malte Polzin from PCP/STEG describes such an effect in his industry in the following quote. Therefore, many STEG Electronics customers order items online for pick-up in a store. They do not do this because home delivery is not a good option for them, but because they want to ask a quick question in connection with the product to be collected. Customers may not be aware that they are using a service here, and if STEG were to charge a fee, they might be surprised. But latent uncertainty and the prospect of a quick response could be the reason why these customers order from STEG. **Erich Mühlemann** from TUI Suisse observes something similar: **customers book online** with them, **but often have unanswered questions. For this reason, a travel agency, not an anonymous call centre, is provided as a point of contact.** In both cases, the cross-channel business model is geared towards offering customers the personal support which is important to them, despite the high level of self-service in the online store.

To recognise the potential for services tailored to the respective customer situation, it is helpful to ask the question of the **customers' overriding goal**. This is because the products are usually only a means to an end and in the case of specialist retailers, the goal is usually the domain in which employees have a knowledge advantage over customers. The approach has three challenges:

1. The vendor and its employees should really be at home in the domain, be active, experienced, well networked and ideally known for their competence.
2. The vendor must have a way of knowing what a customer is actually concerned about. This is not the case in a pure self-service setting.
3. The vendor must develop product-service combinations and offer them in a way that is accepted by the customers. This can be bundles, course fees, travel costs, rent, memberships or something else, but a monetisation concept is needed. That is because today's habits are still such that people are willing to pay for products (from mass production), but are happy to regard individual and on-demand advice as a favour.

Philippe Huwyler from Coop suggested using the development of the range of services offered by campsites as an illustration. 60 years ago, a campsite was a fenced meadow with a toilet and washroom. Guests were able to linger there and stay overnight with their own personal equipment. Today, you can still get such a meadow site, but also ready-built tents, with furnishings if desired, a refrigerator if needed, care for the children and much more. With glamping – glamorous camping – the trend has even spawned its own term. The campsite operator knows about all the needs that can arise during camping and makes offers based on them. Customers know about the services, use them, do not have to prepare so much for the trip and are more relaxed. From an original meadow as the basic infrastructure, the campsite operator achieves a **much higher added value** and customers have the choice of using what suits them best in each situation. The travel industry has been moving in the same direction for several years. It is no longer only transport services and accommodation that are offered, but also individually selectable experiences at the destination.

The service tailored to the respective customer situation is by no means bound to a complex service concept. Simply **targeting advertising and communication measures** to the customer situations in which one's own offering unfolds the greatest benefit can be helpful. This applies, for example, to the concept of quick commerce, which has already been discussed and is specifically geared towards situations in which someone has forgotten something or a spontaneous idea still requires a few items from the supermarket at very short notice. The success of Geschenkidee.ch is also not primarily based on the products themselves, but on the fact that they master the details from the perspective of the gift giver. The product price is of secondary importance, as long as the intended budget is observed.

Leisure/shopping combinations

Shopping plays a big role as a leisure activity in our prosperous society. This is reflected in the type and quantity of stores in tourist destinations. In our free time, we want to break free from the constraints of everyday life, seek variety and stimulation, stage ourselves as personalities through our consumption, for example with a chic dress, elegant brand watch or as a wine connoisseur.

In leisure-shopping combinations, shopping serves no predetermined, practical purpose, but solely our well-being. The entire **stimulation machine of the consumer goods industry targets our emotions**. Product stagings are particularly effective when they stimulate pleasurable emotions, such as status, adventure, appetite or simply fun. Belonging to a social group, safety and stability are also strong motives – the latter motivates us for sustainability. Every purchase always has something rewarding about it, psychologist Hans-Georg Häusel notes [35] and so stimuli always lead to purchases. In the case of bargain hunters, the stimulus comes from the hunting motive. The shorter the time window, the smaller the quantity available, the greater the triumph. The fact that the item is not actually needed at the moment fades into the background. Flash sales platforms like DeinDeal or QoQa specialise in this business.

In niche segments, it is comparatively easy to offer shopping-leisure combinations.

Friederike von Waldenfels,
Swiss Commerce

On-site production in the stores creates an authentic shopping experience.

Philippe Huwlyer, coop.ch

We want to transform the stores into worlds of experience and also organise events with children.

Roger Bühler, Franz Carl Weber

With good content and storytelling, you can easily differentiate yourself, which also offers opportunities for smaller vendors.

Reto Senti, PKZ Burger-Kehl

No one can escape the stimulation machine. **Stationary trade** has been thinking in terms of product images and visual merchandising for a long time. For some years now, it has gone beyond product images, for example with the climbing wall in the Transa store. Some supermarkets are using the image of weekly markets as a model for their interior design. In small factories, products are produced in front of the customers, which creates authenticity. Some are ready to eat and can be eaten on the spot or at home – eating out and shopping are increasingly being combined with each other. In the case of shopping-leisure combinations, real channels have a greater experience potential than digital ones because they can be experienced in combination with their surroundings through all the senses and also in community with other people. If a store does not allow for large-scale productions, a customer magazine can step into the breach, as is the case with VELOPLUS or Aldi.

On the internet, too, a whole industry lives from the stimulus machine, some platforms and legions of influencers or content creators. They are aimed both at people who are actively engaged with a topic, looking for information, tips and exchange, for example before buying a bike. Or they are aimed at people who are currently not occupied with anything at all because they are sitting on a bus somewhere or are otherwise not busy. Many of these people like to distract themselves with their smartphones. They unfocusedly follow their interests and click through their feeds on Instagram, on Tiktok. Sometimes they find something that activates them and perhaps sparks an interest in a range. The key to attracting customers who are not looking for anything is to attract attention and learn how to attract the attention of the right people who are open to impulse buying.

The examples show that the differentiation approach via leisure-shopping combinations is either about **picking up potential customers at their personal interests** and supporting them, or linking to their **search for stimulation and inspiration** and getting them excited about something.

5 More than products: Value orientation and services

Chapters 4.3 to 0 show that there are countless opportunities to differentiate between purely product-oriented offerings at the value and service level. The options mentioned are all already practised. Below, we will look at the extent to which they are undergoing reassessment and what this means for the world of commerce.

5.1 Value and service-oriented demand

- Traditionally, values and services are only secondary aspects of the product.
- In digital marketing, differentiators can be used in a targeted manner.
- Participants want growing value and service-oriented market segments.
- It is not yet clear whether suitable offerings will be found to meet demand.

Platforms cannot replace direct customer contact. If we lose it, we will no longer be able to convey our differentiators, then we will no longer stand a chance.

Lars Feldmann, Betty Bossi, 2021

Customer access in D2C is via channels such as social media. Access can be much more relevant and focused, so that it doesn't cost that much.

Dominique Locher, Farmy

For Franz Carl Weber, we strive for a positioning that clearly goes beyond the availability of the product.

Roger Bühler, Franz Carl Weber

In the transactional segment, small merchants have no chance of competing with the very big ones. They must be distinguished by value or service-oriented characteristics.

Patrick Bundeli,

INTERSPORT Switzerland

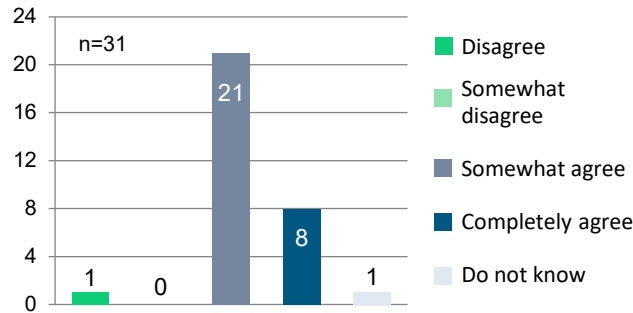
Both the emphasis on values and quality characteristics as well as product-supplementing services have always been practised in the sale of consumer goods. However, they are generally treated as secondary aspects on the part of the vendor, with the product itself and its product-specific, functional features always at the centre. This is understandable in that until now, marketing has always been mass marketing and could only be addressed very rudimentarily to specific target groups. For this reason, aspects that are only relevant for a smaller part of the target group were only accommodated in passing. After all, they were available to those who were interested. However, the framework conditions have changed fundamentally. On the one hand, this is a bad thing, as value and service-oriented aspects are usually not comprehensible in a structured manner on the usual online marketplaces and price comparison platforms, so that they cannot be searched for. The **platforms play a major role in the commoditisation of offers** by simply suppressing the differentiating features. On the other hand, the framework conditions have changed for the better, as data analysis tools and CRM as well as selection options for customer access service providers and modern advertising platforms allow very **targeted customer approaches**.

When the value orientation on the customer side has increased (Fig. 14 on page 16) and the receptiveness to services has increased (Fig. 13 on page 14), and at the same time there is an increased need for differentiation on the vendor side – shouldn't these trends just be merged? To find out the opinion of the study panel on this, a thesis was developed in which two basic market segments are differentiated in an outlook up to 2030.

1. **Segment 1** stands for the traditional consumer goods market, which is primarily **functionally geared towards the products themselves**. This represents today's international market for mass industrial products, where vendor consolidation is increasing. Economies of scale are one of the most important factors for success.
2. **Segment 2** stands for a primarily **value and service-oriented market segment** in which the product is only part of an overarching service. This service contains an additional service component that is decisive for the purchase – which means that it has a higher added value. The additional service component can be based on a product from segment 1. For many established vendors, segment 2 is already well developed in some areas, but is regarded as a secondary service. There are also many start-ups and pioneering offers that rely on expanded services.

If value and service-oriented demand is thought to be a separate market segment and the increasing demand is served by suitable offers, this segment 2 would have to grow in the future – at the expense of segment 1. Fig. 21 shows the assessment of the study participants. The response image shows both broad agreement and great uncertainty, as two thirds of the responses are only «somewhat» in agreement.

Fig. 21: Participants expect a growing value and service-oriented market segment



Besides the traditional consumer goods market (segment 1), the market share of the value and service-oriented market segment (segment 2) in Switzerland will grow by 20% or more by 2030.

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A service-oriented approach is extremely important today.

Philippe Huwyler, coop.ch

Finding an economically viable differentiation is extremely challenging and incredibly difficult!

Study participants

Fee-based convenience-enhancing services are usually only accepted by a fraction of customers.

Friederike von Waldenfels, Swiss Commerce

Not all services generate enough demand to sustain them profitably.

Dominique Metz, VELOPLUS

Everyone has to look for new value creation. You have to use trial and error to find out what works. The worst thing is to not do anything.

Daniel Röthlin, Ex Libris, 2019

Different aspects of differentiation come to the fore, depending on the phase in the customer life cycle.

Markus Büchel, ON

To illustrate the abstract thesis, it can be applied to a single person. Will a person spend 20% more of their budget in 2030 on offers that are not primarily selected for the lowest product price, but for value or service aspects?

At product level, the development of higher levels of refinement and value added has already been observed in many areas in the past. Take baked goods, for example. If you wanted to bake your own fresh bread or bread rolls in 1970, you bought flour; in 1990 you could buy a ready-made baking mixture for the product instead of flour. And since around 2010, supermarkets have been offering pre-prepared items to bake, in addition to flour and baking mixtures.

Taking into account the comments, the opinion can be summarised as follows: the majority would **welcome it if the thesis were to prove true**. In an outlook up to 2030, this is also conceivable for many, with 20% perhaps being a high value. Around one third of the company's existing own offering is assigned to segment 2 and some recognise it from other vendors. However, the company's own experience of positioning itself more strongly in terms of value and service tends to dampen confidence. The reasons cited are that such services are not in enough demand, do not generate enough additional income and, in comparison, require too much effort. Some participants are bothered by the fact that the **differentiations could only result in small niche segments**. The arguments show that it is not yet clear whether suitable offerings will be developed to meet value and service-oriented demand. Doubts about this had already arisen within the subject of subscription models in chapter 0, as the total subscription costs for expensive consumer goods can be very high compared with the purchase.

It is conceivable that differentiation in a vendor's existing market segment only has a small market potential. It may also be that if a concept is thought too small, that the market segment with the differentiation should be understood differently, or that only a half-hearted attempt is being made. Among the objections, it is noticeable that services continue to be seen primarily as an appendage in a product-centric self-image. A **change in thinking** to the effect that **service and a sense of value are at the centre of one's own performance** is an exception. One such consideration was shared by **Dominic Blaesi** at Flaschenpost in the 2021 interview: **As a vendor of wine with a transactional, logistical understanding, we have already achieved a lot. Now we want to go one step further, get closer to the customers and enrich their experience in the way they come to the wine and enjoy it.** It will be interesting to see how Flaschenpost implements this. But the new focus is on the experience, not on the wine product itself.

At different **stages of the customer lifecycle, it may be different differentiators** that are critical to the choice of vendor. When a customer re-evaluates a product, the brand's appeal or compelling sustainability credentials could be the deciding factor. If, on the other hand, a product is purchased repeatedly, the convenience of the purchase could be decisive.

5.2 Small and large vendors

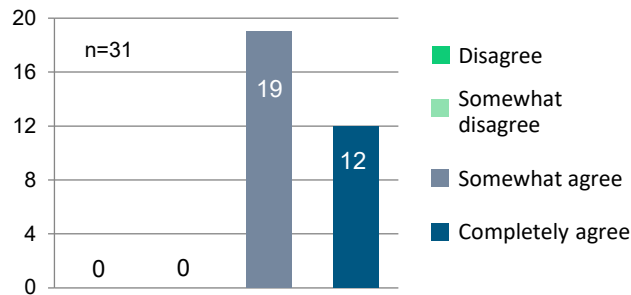
- Despite concentration, a diverse world of commerce is also expected in the future.
- Both large and small vendors will contribute to future diversity.
- The participants expect a large number of niche offers.

It's not quite clear yet how, but despite the increasing concentration, I'm expecting a very diverse world of commerce in the future.

Stephan Widmer, Beliani

Chapter 4.1 addressed overdistribution and increasing vendor consolidation. This could lead to the conclusion that the diversity of offerings in consumer goods distribution might not continue to grow in the future or might even decrease. However, this is not what the study participants anticipate. It would also not fit with the statement in Chapter 1.4 that the diversity of consumer purchasing needs has increased. The majority of study participants also believe in a **diverse world of commerce** in an outlook up to **2030**, which is shown by the answer to the thesis put forward for discussion in Fig. 22.

Fig. 22: Study participants expect a diverse world of commerce in the future



The future world of commerce offers a wide range of sales channels in which very few very large vendors and marketplaces are active and very many rather small or closely focused, often regional product and service vendors are active.

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We can expect progress primarily from companies that already have substance and that are very agile.

Jérôme Meyer, ALDI SUISSE

Specialists will participate less and less in the flow of goods. They will focus on service.

Marc Isler, BRACK.CH

In a niche, you can be successful as an individual vendor, but you have to limit yourself to a small market.

Allen Krief, DeinDeal

Don't be fooled by the many value-driven initiatives. Start-ups sell dreams, everything seems possible.

Jérôme Meyer, ALDI SUISSE

In terms of customer targeting at least, there will be many more niches in the future. A mass of niches, so to speak.

Dominic Blaesi, Flaschenpost

The fact that many of the positive responses to this thesis are limited by a «somewhat» is due to the fact that it is not yet clear how the current vendors will realign themselves. Some participants disagree with the impression created by the thesis that diversity is tied to rather small vendors. **Large companies are also picking up on trends and finding ways** to operationalise them in the market alongside their traditional business areas. In the case of large distributors, for example, it can be observed that they are in the process of representing the new diversity in the food market through different product lines and offline and online through different formats. Allocating large vendors only to segment 1 and small vendors only to segment 2 would not be correct. For both, a combination on a viable scale makes sense. The offer part from segment 1 brings volume and cost advantages. On the other hand, higher margins should be achievable in segment 2.

For innovative small vendors, and especially start-ups, it can be assumed that they can respond more quickly to trends, work in a more focused manner and explore solutions. But when goods have to be purchased in large quantities or processed efficiently in logistics, larger vendors from segment 1 are given better opportunities (Chap. 5.1). A smart app-based solution, such as the Nike Running app, also requires either venture capitalists or a major vendor in the background if it is to be rolled out on a large scale. Although it's «just» an app, the chances of success for small vendors going it alone are limited. According to Jérôme Meyer from ALDISWITZERLAND, **the gap between the big and the small will continue to be wide in the future.** He cites the brewery market as an example.

It is assumed that there will be room for a great many niche vendors in the future, as **digitalisation facilitates success in niche** segments, as Katrin Tschannen from Migros Online notes. In niches, the focus is on values and services, not on mass and extensive logistics – the chain of thought is closing.

6 Upshot: the future will bring a more diverse world of commerce

Outside niche markets, the market is ultra-competitive: price competition and acquisition costs are both very high for new customers.

Allen Krief, DeinDeal

What remains for niche vendors are the services associated with the large-scale services of the generalists. Perhaps we buy these services from them.

Participants (large company)

Part 2 of this report focuses on the intensified competition following the change of epoch. The broader and more intensive use of online channels by consumers and the increased and intensified online engagement of vendors are exacerbating the problem of overdistribution - an oversupply of purchasing options for the same products. In turn, most vendors are looking for ways to differentiate. Differentiation at the level of availability and price for marketable mass-produced products is hardly possible – economies of scale are decisive here and only a few vendors will be able to compete in the top group.

On the other hand, demand segments are growing with the more diverse purchasing needs and the higher requirements at the value level, giving room for diverse differentiations beyond the best price. **Complementing products with needs-based services is the traditional domain of retail.** Value and service-oriented offering orientations could be the successor to the traditional specialist trade, which has so far focused too much on the products themselves. In the B2B-oriented specialist trade, service has long been the focus, as in the over-distributed market little money can be made simply with *box moving*, the simple passing on of an industrial product.

Tapping into the value and service-oriented demand segments is associated with some limitations and challenges.

3. Their **market potential** is in most cases limited to the smaller part of the overall market. In most cases – this also corresponds to the usual purchasing habits – commodity products are sufficient for the customer's purposes and a price that is as **low as possible is clearly an important decision criterion.**
4. Many differentiators only unleash **their value in certain situations or contexts**, for example an individual engraving on an anniversary gift. It is difficult to identify potential customers in such situations, or the niches appear too narrow to position oneself as a brand specifically for them.
5. Striving for sufficient sales volume in a niche segment requires a high level of **determination**, investment and risk appetite. As a niche offering must **always be outstanding**, it is helpful if people are entrusted with it on the vendor side **who identify strongly with the segment** and are familiar with it.

Differentiations in offerings were dealt with in greater depth in this year of the study, as they are a hot topic due to the currently heightened levels of overdistribution. However, there are also a number of other drivers that will contribute to the **diverse world of commerce** of the future.

There's no increase in concentration in the fashion industry. There's always something new, especially online.

Beat Grüring, Tally Weijl

- There will also be new products and trade innovations in the future.
- Direct brand sales channels are becoming a weighty alternative to retail.
- Social media and other platforms convey offers in their own way.
- Industries like fashion continue to see new vendors.

The study participants unanimously believe that **the world of commerce will still be very diverse** in 2030. Although it is predicted that there will be increasing concentration on the vendor side for most industries, there are good arguments for this expectation to occur in the case of a generally stable economic environment.

Feel-good Connected Commerce

Advertorial

datatrans.
from planet



How retailers can stand out from the crowd in the experience economy

As the experience economy prepares to celebrate its quarter century, retail leaders keen to grow revenue are turning to connected commerce to surprise and delight their customers. Here are some ideas to help you stand out from the crowd.

Think back to your last weekend.

«The easiest way to turn a service into an experience is to provide poor service,» wrote Joseph Pine II and James Gilmore when they defined the *experience economy* in a 1998 edition of the *Harvard Business Review* [36]. In those far-off days, vanguard firms were introducing an element of theatre into their provision of goods and services. Think Disney, Starbucks, and Hard Rock Café. Providing a pleasant memory boosted sale, enabled higher margins, and brought customers back for more.

Almost a quarter-century later, being part of the experience economy is a near-universal ambition. Retailers emulate the Apple Store, even though some copycat retailers fail to nail it.

So, during your weekend, how many were getting it right?

What are the ingredients of a great experience? It must entertain, educate, look good and offer an escape from the ordinary. As Joseph Pine II wrote in a 2020 update [37], it has become truer than ever that the way to a customer's heart (and purse or wallet) is by providing a positive – and truly memorable – experience.

But as we all know, that's a sight harder to do than it is to say.

Bridging the gap with connected commerce

Connected commerce is the best place to start. Why? Because providing bad experiences is the best way to kill your business. By removing the pain points, you free up staff to focus on providing customers with a great experience – the kind that brings them back for more.

In today's world of extraordinary convenience, only brilliant experiences are memorable.

The pandemic brought this home as never before, raising the stakes in the recovery now underway. During lockdown we got used to the simplicity and ease of ordering online. Digital solutions delivered the meal or product, painlessly, to your door. The hardest part was getting up from the couch.

As travel shows signs of surging back to pre-pandemic levels, we want to be able to buy what we want, where we want, without hassle. But as we return to physical stores to make up for two years of lost fun, we expect a joined-up experience. The fact is, it isn't always there.

The challenge for retailers

When you walk into a store, like as not they've got the jacket you want, but not in blue, nor in your size. So, you walk out. A sale is lost.

But why couldn't they deliver the one you want tomorrow, to your home, as Amazon can? They must have a warehouse, somewhere. The problem is caused by fragmented systems and at times a certain, shall we say, lack of imagination...

Our retail industry is full of fabulous, brilliant people focused on making others happy. While keen to please, they are often left battling clunky systems that get in the way of the kind of smooth, personalised service they're so keen to provide.



Our vision:
We bring together software, payments and technology to create a connected commerce platform that puts customer experience first.

A joined-up solution

It doesn't have to be this way. At Planet, we bring together smart payment systems and flexible software that puts the customer experience first, and your team in charge.

Connected commerce means fewer headaches, less hassle, more time, more control and ultimately more revenue. Retailers can deliver hybrid solutions and can shopping into a slick, painless event where the consumer remembers the experience, rather than the cost or painful processes.

For retailers, payment systems are often an afterthought. But who hasn't abandoned an online purchase because of problems making the payment?

For retailers, the barriers to any product, any place, are sometimes manifold. Systems often don't talk to each other. But it may also be that the retailer has no warehouse staff or capacity to despatch individual orders to private addresses, no matter how simple this seems.

Many can't even tell you that their cross-town store has the right size and colour, nor get it transferred for you to pick up later, or shipped to your home, because the inventory management systems don't speak to each other. And to cap it all, multiple payment and stock-control systems speak different computer languages. Staff are left frustrated and demotivated.

They need someone to make these disparate systems communicate so that payment headaches become a thing of the past. First impressions are still vital, but it's the lasting impression that matters most.

Making friends brings benefits

Consumers are returning to malls, high streets and tourist destinations with higher expectations than ever. Getting this stuff right means more footfall converted into sales, and more return visits.

But it also brings other benefits. Joined-up data gives you the opportunity to forage among the numbers for better insights that illuminate – or sometimes shatter – your gut feelings about customer behaviour.

The world – and consumers – are changing so fast. Having a deep customer understanding and knowing what draws them to you, along with a total service ethos dedicated to retaining them, has never been more important.

As the experience economy prepares to celebrate its quarter-century, providing memorable customer experiences that delight and leave a lasting impression has never been more important.

Knowledge and nimbleness will be the keys to staying relevant now, and in the years ahead. Connected commerce makes that possible.

Contact

About Planet

We deliver connected commerce that puts customer experience first

We're here to help you make the most of the connected commerce revolution. Our software and payment technology helps your business unlock the benefits of a more connected and digital world. And deliver a more enjoyable customer experience at the same time.



Part 3: Status quo and outlook for the future

This part describes the new image of distribution with consumers at the centre. It was created over the course of the series of studies. Each role and different configurations of working together are described. Strengths and weaknesses are addressed and supplemented with considerations for further development in an outlook up to 2030.

7 The image of distribution with the consumers at the centre

- A look into the future requires an up-to-date idea of the present.
- The image of distribution created in the series of studies shows the roles involved.
- Each role is discussed in terms of its importance for distribution and expectations for the future.

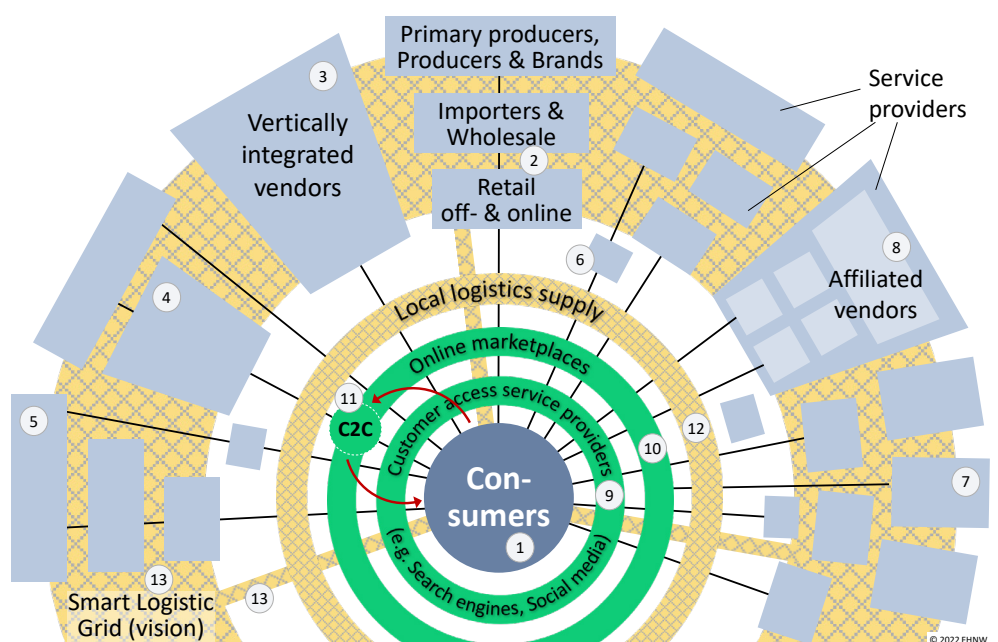
In order for end consumers to be able to use a consumer product, it must first reach them from the manufacturer. This transfer with all communication, legal, logistical and financial aspects is the task of **distribution**. In the vast majority of cases, distribution is based on a division of tasks, which goes hand in hand with roles such as manufacturer or retailer. A role represents a specific set of functions that a participant contributes to distribution. If several participants work together in different roles, this is referred to as a **distribution system**. The roles that were quite fixed until the 1990s are in the process of being dissolved and realigned. This is what is meant by the term **structural change**.

It is the industry's behaviour that will shape the future retail landscape, not the consumer.

Peter W. Gygax, Carletto

The following discussions are based on Fig. 23 with an image of distribution with the customers in at the centre. It should be noted that the configurations and connection lines shown between the service providers and consumers are only examples; many more variants are possible. For the roles that are arranged in the three circles around consumers, it is true that they can be involved in purchases, but they do not have to be. The image was created during this series of studies and was derived from the shortcomings of the traditional linear image. The first version was published in the E-Commerce Report Switzerland 2019 [38]. Since then, it has been refined in several stages. The numbers in the circles in the figure create a bridge for dealing with the role in the text.

Fig. 23: The image of distribution with consumers at the centre



7.1 Traditional roles in the chain from manufacturer to customer

In the traditional, linear picture of distribution, value creation and the flow of goods take place from the manufacturer via wholesale and retail to the customer. These roles are shown in blue in the graphic.

The consumers ①

- Consumers – and therefore all of us – are the biggest winners from structural change.
- Consumers are now doing some traditional retail tasks themselves.
- By sharing their data, consumers are contributing to more targeted offers.
- From a vendor's point of view, access to customers is the biggest bottleneck.

The biggest winners of the structural change are consumers. They have gained more maturity and alternatives through the transparency of the internet.

Philippe Huwyler, coop.ch, 2019

Anyone old enough to think back 25 years, when practically the only things you could buy were those you found yourself in a stationary shop, will agree that the accessible range of consumer goods has exploded in the intervening period. This is why consumers are regarded **as the biggest winners** of structural change. However, there are also other factors. The market transparency created by the internet has created price pressure, which means that consumers can buy more and more goods for the same amount of money. **Consumers are now taking on** some of the traditional retail tasks **themselves**, primarily in the form of independent information retrieval. But with their reviews and ratings, they also pass on information to other consumers. In this way, they take on a consulting role – the retail sector has lost its monopoly on information and consulting. When customers have a request, many willingly use customer self-service systems, entering the required data into the vendor's systems themselves and relieving the retailer of the burden. Consumers have also become prosumers. They are involved in product development by configuring and contributing to the design of the products they buy. In a few years, 3D printers could mean they are even involved in production themselves. Finally, it is evident that consumers are no longer just paying with money, but also with data. People's data about themselves, their preferences and behaviour patterns are the basis for more targeted offers and a key success factor for the entire industry. The ability of platforms to aggregate and exploit such data on a mass scale is one of the most important drivers of structural change.

In the coming years, the focus of vendors will continue to shift from big to small customer groups and **ever closer to the individual customer**. The battle for their attention, their favour, their money and their reviews has never been greater than today. From a vendor's point of view, access to it is the greatest bottleneck.

The linear distribution chain and its roles ②

- It was only through e-business that distribution could be made more flexible.
- Manufacturers and brands need retail to achieve a high level of market penetration. However, in order to keep up with the times, they also need direct access to consumers.
- The role of wholesalers will also be needed in the future.
- Retail is the face of all distribution for consumers.

Before e-business made dramatic simplifications possible in the coordination of value chains, a strict division of roles and tasks was **the most efficient way** to sell goods from manufacturers to consumers via wholesale and retail. Due to inconsistent processes, a lack of data standards and incompatible IT systems, collaboration was comparatively rigid and inflexible. There were few cross-links to other industries, which is why industry silos are often referred to in this context.

Distribution is no longer linear. Each company defines its own mix of functions and services.

Stephan Widmer, Beliani, 2020

Even today, most of the distribution takes place in linear chains, but this is no longer strictly the case. Today, the functions performed in distribution are performed in a **variety of configurations**. It has become more flexible, with industries developing very differently. The IT and consumer electronics industry is the most advanced.

Primary producers, manufacturers and brands

Primary producers, for example from the agricultural sector, manufacturers and brands are the roles that put consumer goods into distribution ready for use. Their organisation and output are primarily determined by the conditions of production, not demand. They depend on being able to sell and be paid for production output very quickly and in large batches, which is why they need wholesale and retail, which usually accounts for between 50 and 70% of the sales price in the two-stage configuration. The greatest disadvantage of the role for producers, manufacturers and brands is that **they have no direct contact with consumers**. As a result, they only learn indirectly about expectations, customer feedback and trend changes, which makes it difficult to understand customer needs and adapt to trends in a timely manner. Strong brands in particular, which are particularly ambitious in terms of sales, are currently moving in large numbers to sell directly to end customers. Overwhelmingly, direct distribution is the smaller secondary channel alongside mainly indirect distribution. They do not necessarily perform all the retail functions themselves for the direct sales share. They often rely on digital platforms to access customers. Logistics and payment processing are outsourced to specialised service providers. There, the depth of value creation for direct vendors does not necessarily have to be higher. The main difference is that they can sell **on their own behalf**, have direct access to customers, obtain all data from customer behaviour themselves and can determine and change the details of their offer presentation and conditions themselves at any time. Another trend since around 2010 is that new vendors often rely exclusively on direct selling from the outset. Both cases clearly show that the traditional structure of roles has broken down. This is discussed in more detail in Chapter 7.4

Wholesalers and distributors

In the future, a distributor must be able to send orders to end customers.

Peter W. Gygax, Carletto

Wholesalers take the goods from manufacturers in large quantities and take care of the resale to retail, which serves the end customers. This involves planning, logistics, financing and risk assumption, possibly including importing and exporting, brand representation in defined regions and a wide range of services for retail. Wholesalers are usually specialised in certain product groups. As a rule, they do not have attractive product ranges from the end customer's point of view. Nor are they otherwise set up in the traditional pattern of roles **to serve end consumers**. This restriction has been fading for several years. Many wholesalers have also begun to take on traditional retail functions, especially in the context of B2C e-commerce. In any case, they need to build up appropriate skills and infrastructure in connection with services for their retail customers. This is because most of them have the greatest difficulty in e-commerce, lose market share and buy fewer goods from wholesalers.

The role of wholesalers will also be needed in the future. The type of companies performing these functions and the relationship they will have with other players in distribution will likely differ from industry to industry. It is to be expected that wholesale functions will increasingly also be performed by companies that do not own the goods and therefore are not traders at all. By 2030, there are likely to be a wide variety of different configurations.

Retailers for private consumers (B2C)

Retailers purchase the goods from wholesalers, importers or directly from manufacturers and brands. This means that they become the owner, finance the goods and take on the sales risk. They are familiar with the regional sales market in which they serve consumers. Accordingly, they compile a range tailored to the target group, maintain sales channels, conduct sales marketing and provide a wide range of services before, during and after the sale of their products.

There are many different types of retail operations. Differentiated according to the type of sales channels, the most important are stationary stores, retail companies with branches, multichannel vendors and distance retailers/online vendors. These sales channels are the main contact points for consumers. A retailer serves as the consumer contact point for itself and for upstream wholesalers and manufacturers. **Retailers shape the perception of the entire distribution system among end customers**. Its success also determines the success of the upstream stages; its weakness is a driver of structural change.

Strong vertical online stores will gain the most market share in the coming years – fcw.ch will become one of them.

Marcel Dobler, 2020,
Franz Carl Weber

We're working on the virtualisation of our warehouses. A customer should be able to trust that the item will arrive the next day, regardless of its current location. And they should be able to return goods to the location of their choice.

Study participants

Perhaps the operator of a retail space does not have to be a retailer at all, but rather operates an experience-oriented context in which brands can position themselves.

Nathan Lauber, 2018,
Nespresso Switzerland

At the retail level and also in online marketplaces, a distinction is made between **vertical and horizontal concepts**. Vertical in this context means that a dealer or marketplace is geared towards a single industry, such as PKZ in the fashion industry, Möbel Pfister in the furnishing industry and autoscout24.ch for vehicles. Horizontal vendors are referred to as such if their range is structured across all divisions, such as BRACK.CH, Galaxus or Ricardo.

The interaction of service providers in physical distribution

In the traditional linear distribution chain ②, each party becomes the owner of the traded good and determines the selling price among themselves through market negotiations. In the past, such transactions were largely vertically limited to industry silos. This is no longer the case today, although cooperation outside the industry is often hampered by lower transparency and efficiency. A **market without borders across sectors and roles** would further increase the creative scope of the participants. Then, theoretically everyone could trade with everyone else. As a business model, openings and integrations are easy to design, but the hurdles are huge when it comes to practical implementation. They are at their highest in logistics. It works in detail in every industry, sometimes even within a group, with different processes and data standards. Many initiatives have the goal of eliminating the hurdles. In Fig. 23 is depicted as a far-reaching vision of a smart logistics grid ③. It is filled with all roles that have ownership of goods in distribution. By making existing logistics networks interoperable, greater logistical availability of products can be achieved in more locations.

Value-added functions of retail

- Retail fulfils many functions, both for manufacturers and consumers.
- Structural change is reflected in the fact that new roles are emerging with new bundles of value-added functions. Individual functions can be an innovation.

In terms of structural change, retail is undergoing the most far-reaching changes. Since the structural change is being accompanied by shifts in value-added functions among the roles involved, the most important retail value-added functions are listed and briefly explained below [39]:

- Contact function: Establishment of contacts between manufacturers and consumers, market development
- Information function: Transfer of market knowledge to suppliers and product knowledge to customers
- Advisory function: Extended information function with transfer of domain knowledge to individual partner needs
- Product range function: Product regrouping, needs-based product range instead of vendor or production-oriented product ranges
- Logistics functions
- Quantity regrouping: Division of large quantities into small quantities (for industrial products) or bundling of small quantities into large quantities (for agricultural products)
- Time compensation: Bridging between production time and usage time, e.g. apples on the market all year round
- Space compensation: Bridging the distance between the place of origin and the place of demand, making goods available in a store or delivering them to a desired address
- Financial functions
- Financing of purchased goods
- Assumption of sales risk
- Payments processing with end customers and assumption of debtor risk
- Finishing functions, e.g. customisation of products, preparation of ready-to-eat sandwiches in a convenience store
- Sales-promoting services, e.g. promotions and world of experience
- Conversion of the reference form: Rent instead of buy, subscription
- Mandatory services, e.g. quality assurance and warranty processing

The **structural change** is taking place as new roles emerge, i.e. vendors with new bundles of value-added functions. Their innovation may be that the new vendors collaborate in a different way with other players in the distribution system or that individual functions are performed differently in an innovative way.

Alternatives in the organisation of distribution ③ ④ ⑤ ⑥ ⑦ ⑧

- In addition to linear distribution, other forms of working together have emerged.
- In vertical integrations, coordination takes place hierarchically via the owner.
- In online sales, distribution assistants take over the functions of local retailers.

The linear distribution chain ② with the three independent roles of manufacturer, wholesaler and retail – other roles may be involved – forms the starting point for considering other distribution systems. For these alternatives, only the differences to the linear distribution chain are addressed.

Vertically integrated vendors ③

Vertically integrated vendors are characterised by the fact that the provision of all functions of traditional three-tier distribution is in the hands of one company. Vertical in this case means merging several roles in an industry. Examples are IKEA, H&M, Beliani and Betty Bossi. As shown Fig. 23 with only one line to the consumer, the vertically integrated company sells exclusively in its own name. This does not preclude the use of online marketplaces or customer access service providers, but ownership and thus **complete control** over all levels of distribution lies with the vendor itself. One variant of this strict form is vertically integrated vendors that also distribute through selected trading partners in addition to their own sales channels. This is what Nespresso or Tally Weijl do, for example.

Especially if a vertically integrated vendor operates internationally, the internal structures may have a similar outline to traditional linear distribution ②. The functions traditionally assigned to wholesale are also required. The main difference is that instead of market-based coordination, there is hierarchical coordination between the participants. The advantages are that the organisations and systems of all parties involved can be optimally coordinated with one another, uniform goals and priorities can be pursued, capacities can be planned consistently and coordinated with one another, all marketing aspects and thus also the sales prices can be determined and consistently implemented and, finally, there is complete transparency about the key figures at all levels. If a vertically integrated vendor is positioned in line with the market, this can go hand in hand with very **large efficiency advantages** and a high speed of adaptation at the product level, for example.

The flip side of this is that such companies could slip into a **parallel world** due to the lack of continuous engagement at all levels with the real markets. Important developments may be missed. In addition, a fundamental change of direction or culture in such a closed company can be more difficult than in a more open set-up. For example, almost all major, successful vertical consumer goods brands have been slow to integrate e-commerce. Once they have found a suitable expansion of their business model, they can roll it out with great force, as the example of IKEA shows (see top 30 online stores in Chapter 1.1).

Partial vertical integration ④

The configuration marked with ④ shows a vertically integrated vendor at the wholesale and retail levels. In contrast, cooperation with manufacturers takes place in the usual market purchasing mode. The line running directly from the manufacturer level to the consumer indicates that the products are sold on different channels and are therefore not exclusively available to the vendor ④.

Partial vertical integration can take place in any constellation between the three levels. Often, it only applies to part of the offer. Farmy, for example, recently acquired Blumenpost, a vendor of ready-to-ship bouquets, and still bakes its own baked goods. Advantages and disadvantages for the integrated area are the same as for a fully vertically integrated vendor.

An outstanding example of successful vertical integration at the two trade levels in German-speaking countries is the Swiss **Competec Group**, to which BRACK.CH belongs as a B2C channel. The trading company active in B2B and B2C is positioned horizontally as an online specialist department store.

Vertically integrated fashion brands have been winners over the past decade, but today they also have some problems.

Laurent Garet, 2019,
La Redoute Switzerland

Verticalisation gives us control over value creation, increases freshness and improves our margin.

Dominique Locher, Farmy

Some of the technical expertise in the various product groups was built up in-house, for example in electronics. It was and will be acquired through the purchase and integration of formerly independent wholesalers such as Jamei, through cooperation with large foreign vendors such as the German pharmacy chain Rossmann and through exclusive brand representatives in Switzerland. The fact that the Group can keep more than 200,000 products in its own highly automated warehouse is thanks to its position as both a wholesaler and retailer. This is the only way to achieve economically viable stock turnover for the products. This constellation compensates to some extent for the **competitive disadvantage vis-à-vis foreign vendors** that Swiss vendors face due to the smallness of the Swiss market.

Direct selling constellations and distribution assistants ⑤, ⑥, ⑦

Fig. 23 indicates three constellations in which ⑤ and ⑦ as manufacturers and in cooperation with ⑥ as wholesaler sells directly to end consumers. In all cases, the retail level is skipped. Passing a stage in the distribution chain is called **disintermediation**. It is clear with manufacturer ⑤ that it sells both via traditional retail distribution and directly to consumers. Scenario ⑦ on the other hand, shows a manufacturer that sells exclusively via online marketplaces – they access customers via the marketplace instead of trading. The topic of direct manufacturer sales is covered in more detail in Chapter 7.4

Role ⑥ comes into play when a vendor needs functions in its relationship with end customers that it cannot provide itself and that no retailer can provide for it. This role is known as a **distribution assistant** [40]. This role is not part of traditional distribution and the assistant does not have goods it could sell itself. However, it adds functions that distribution needs, such as parcel and courier services. These are usually functions that are traditionally provided by specialist retailers. In addition to delivery, this includes assembly, installation and local support services. As a rule, e-commerce vendors in large-scale online sales cannot provide such services themselves. For distribution assistants, who in the past were largely limited to deliveries, the increasing focus on services could also open up new opportunities for online vendors. The **idea of a specialist online retailer calls for distribution assistants**, even for very specific tasks. BRACK.CH has been working with various companies for this purpose for years, including external experts who are recruited via Guuru's integrated crowd solution. The logistics company Zibatra has a business area focused specifically on services for the sale of bicycles and thus addresses the needs of direct-selling bike brands. After unloading from sea freight containers, the bicycles are assembled, adjusted and checked by mechanics so that they can be handed over to end customers without a local bike dealer.

Connected vendors ⑧

Affiliated vendors ⑧ also aim to create a distribution system where multiple companies together achieve a level of performance that none of them could achieve alone.

A common, traditional vendor network is a **franchise system** with franchisors and franchisees. Examples in Switzerland are the franchise concept of SPAR Switzerland, Coop Pronto, migrolino, INTERSPORT Switzerland and Tally Weijl. They are traditionally brand and product-oriented, and the independent franchisees are tasked with multiplying the concept regionally. This means that these concepts in the non-food sector have the same problem as the retail sector with branches, namely that decentralised stores are devalued by centralised online offerings. In addition, the fact that franchisor and franchisee have **conflicts of interest** makes it more difficult to adapt franchise systems to a networked trading world. Adjustments to the structure or channel policy are extremely difficult – many franchise systems have not yet found convincing answers.

The challenge for small trading companies to reach a minimum size in order to meet the performance level of their industry is pressing. Bakers and pharmacies are seeing a trend towards businesses with several points of sale. **VELOPLUS** can only manage its high performance range in the omnichannel set-up because, with ten branches, it has reached a necessary but atypical size for cycle retail.

In the electronics industry, the potential for diversity arises in the form of a local supplier market for services relating to increasingly complex products.

Pierre Wenger,
Interdiscount | microspot.ch

I'm concerned about the survivability of small sports retailers. Many could fail due to the lack of critical mass.

Patrick Bundeli,
INTERSPORT Switzerland

Farmy is opening a door to the digital world that many small producers wouldn't be able to create on their own.

Dominique Locher, Farmy

There's still room for regional vendors and niche offerings. But the smaller the vendor, the more difficult it is to maintain industry standards in terms of webshop and service. I'm expecting aggregation among small vendors to increase.

Friederike von Waldenfels,
Swiss Commerce

In the future, retailers will only be providers of services, but they will be largely controlled by the manufacturers. The transparency and direct communication options of Connected Cars accelerates this even further.

Remo Girard,
Clyde (AMAG), 2020

The benefits of e-commerce will mean that people will go to physical stores less often.

Heiner Kroke, ricardo.ch, 2011

Farmy and Swiss Commerce are two concepts in Switzerland that are explicitly geared towards the networked world of commerce. **Farmy** is often considered a marketplace because the connected regional producers and suppliers mainly only deliver on demand. Farmy is, however, a retailer which buys and sells the goods. Its suppliers are often too small to supply large supermarket chains and find access to a specialised online market segment via Farmy

Swiss Commerce specialises in emotional niche markets with a focus on online sales. Typically, **niche stores are created from people's passion for certain topics** such as equestrian sports, hunting and the like. They start with a website and form a thematic community, followed by an online store with high ambitions and at some point a limit is reached at which the qualitative and financial requirements become too high. Around 20 initiatives were aggregated under the umbrella of Swiss Commerce in one such phase. Prior to this, various concepts were tested to see how the continuation of an authentic niche segment can be professionalised and carried out with shared infrastructure. For several years now, Swiss Commerce has only been able to buy the stores. In some cases, the founders or people from the community continue to work on looking after their niche segment. The fact that Swiss Commerce is constantly integrating new stores shows that there is a need here. However, an organisational form in which the founders remain economically involved in their store was not found.

The fourth is a constellation that arises from the **distribution of digitalised products**. The products become part of a centrally controlled network, such as e-books, connected cars or hearing systems. In the cooperation between manufacturers and retailers, this results in an enormous shift in power to the manufacturer. This is because the entire system expertise, the design of the service and the data on the use of the device by the customer are with the manufacturer. Retail will be reduced to the role of local sales consultant and supporter. Yet they themselves are only operators of a centrally specified system. Depending on the licence model, the retailer loses their role as a retailer if they do not purchase the product and also have no influence on the conditions. In such cases, this sales level can be seen more as a distribution assistant.

Against this background, it is clear how far-sighted the **Tolino Alliance** was as a cooperation between competing German-speaking booksellers. In 2013, it managed to establish its own, open e-book ecosystem as an alternative to Amazon's closed Kindle system with the involvement of a technology partner and has been operating it successfully for ten years. The Tolino Alliance is therefore **the only successful example** among the affiliated vendors in which the B2C vendors involved at the retail level still have control over their business.

7.2 Three retail business models

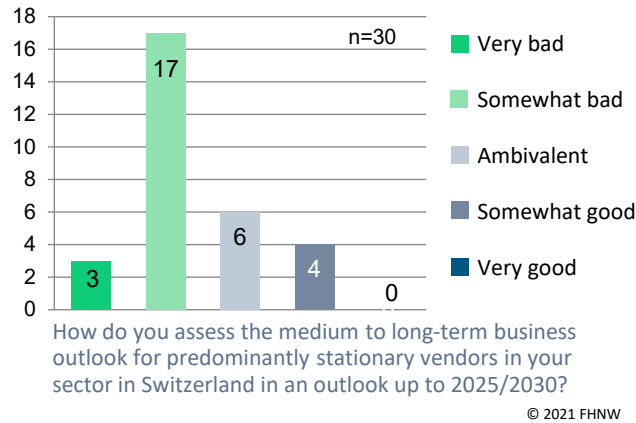
Following the emergence of e-commerce, three types of vendors can be distinguished in the retail sector. Their situations are described below: stationary retailers, cross-channel business concepts and individual, purely e-commerce vendors.

The situation of stationary retail

- In its supply function, stationary retail continues to lose importance.
- In the phases of purchase preparation, stationary retail has lost importance.
- Retail remains important for enriching daily routines and leisure time.
- Inner cities and stationary trade should enrich each other.

It is stationary retail that is being hit with the full force of the over-distribution described in Chapter 4.1. In the previous year of the study, the participants were asked about their estimates for stationary trade in an outlook up to 2030 [41]. Two thirds of the answers were negative for the future outlook of mainly stationary vendors (Fig. 24).

Fig. 24: Scepticism about the future of mainly stationary vendors



Reasons for the unstoppable decline in stationary trade

Nothing engages the public on the topic of consumer goods distribution as much as stationary retail. Millennials and all older generations formed their initial shopping habits in stationary trade. Whether in the city centre or in tourist destinations, retail stores are always there. Local retail is a defining component of our placescapes and is considered an important factor for the quality of life in one place. However, if you only turn off the main street, some store windows are closed, others advertise a tattoo studio or other services. Twenty five years after the emergence of e-commerce, which corresponds to a generation, **stationary retail is on the decline in its utility function**. In small towns and residential communities, it has been scarce for a long time – and many inhabitants miss it.

On the one hand, stationary retail is idealised, while on the other, it is slowly but continuously moving further and further away from consumer expectations. Everyone would like to have a shop just a few hundred metres away where they can spontaneously buy exactly what they want and take it with them. Diversity is desired in local, stationary trade. But in practice, most of the money is spent in a few physical stores or online. The reason for this is that the respective demand situation and the local supply are often not congruent. Some people would like to buy the product in a store in town, but maybe this store does not have the product they are looking for, or it does not have enough choice, doesn't represent the style they want, does not stock oversized. Or it is too expensive, closes too early in the evening, is too far away and so on.

The needs are diverse and often go far beyond the product. For the product desire alone, there would probably be a store that could fulfil it, but not one that is also close, convenient to reach and cheap. It is not trade deficits that are causing this development, but **the increased demands of consumers**. On the one hand, the increase is due to the transparency of the internet and, on the other, to the diversity and increasing performance level of online vendors. The online market is growing, investments are being made there and the level of performance in e-commerce is continuing to rise. The stationary market potential is declining, but the performance levels of the stores has not been declining thanks to efficiency increases, although floor space is generally shrinking. With declining sales and the pressured trade margin, costs **can hardly be covered**. For stationary trade as a whole, the negative trend appears **unstoppable and irreversible** in an outlook up to 2030.

Loss of universal suitability for purchase on demand

No one in the study panel expects stationary trade to largely disappear in the foreseeable future. But the retail store is no longer the focal point of consumer goods sales. It is no longer the universally predestined place of purchase. It plays almost no role in **vendor-independent purchase preparation**, an important phase in the customer journey. Customers can find out more online, compare products, read reviews, see what is available and what it costs. The stationary business is barely visible in this research. When it comes to on-demand purchases, physical stores are a very powerful touchpoint – if they are easily accessible, if customers already know exactly what they need, they can assume that the vendor has a suitable selection of products and they do not perceive personal shopping as a burden. In all other cases, consumers will consider other options – the physical store is just one option among others.

These days active searchers search online. Latent searchers tend to search offline.

Kilian Kämpfen,
Scout24 Switzerland, 2010

The decline in footfall in the stores is a serious problem because it's such a steady process.

Patrick Bundeli,
INTERSPORT Switzerland, 2019

There is too much sales space in Switzerland, even for everyday products.

Study participants

The difficulty in stationary trade is that you have to invest in a declining market.

Florian Teuteberg,
Digitec Galaxus, 2018

For most people, the entire information and comparison phase takes place online. I don't go to a store because the salesperson is such an expert.

Kilian Kämpfen,
Scout24 Switzerland, 2019

We take e-commerce very seriously. But our stationary sales are booming with enormous volume. That's why we're focusing on our core business first.

Jérôme Meyer,
ALDI SUISSE, 2021

The situation of a sports store differs significantly depending on whether it is in a tourist destination or not.

Patrick Bundeli,
INTERSPORT Switzerland, 2019

Going shopping is an event, and the social aspect and entertainment have gained in importance again. Online is no substitute.

Marcel Schaniel
Möbel Pfister, 2021

The customers want to be with people, they want experiences! There's still a lot to learn.

Samy Liechti, BLACKSOCKS, 2021

The creation of shopping-leisure combinations is also a necessity for the inner cities in order to bring people into the cities at all.

Sebastian Paul, Victorinox

I consider the channel shift to be sustainable. But locally well-anchored, owner-managed bookstores with a strong service orientation continue to have a good outlook.

Daniel Röthlin, Ex Libris

Travel agencies in neighbourhoods can be successful if they have an employee with the personality to inspire locals looking to travel with their expertise.

Nicole Pfammatter,
Hotelplan Switzerland

The physical point of sale has become more valuable with the decline in stationary trade.

Pierre Wenger,
Interdiscount | microspot.ch

It's possible that a stationary retailer will no longer be primarily dependent on the trade margin by 2030.

Peter W. Gygax, Carletto

Different buying situations and product groups place different demands on physical stores. Accordingly, the future outlook must be differentiated according to operating modes and locations. Some will continue to do well in the coming years, or at least continue to, while others will lose importance. The outlook is good in **local supply formats** for everyday goods, food discounters and fresh food and convenience stores. **Service-oriented businesses** such as opticians and bicycle stores also have a good outlook. Some specialty stores, department stores and mono-brand stores can stay in the remaining **high-traffic locations** and are an option for customers within a wider radius than local supply. The potential for shopping centres depends on regional conditions and their ability to keep footfall high.

As always, the location of a store is crucial for its market potential. The product range/operating form combination determines the ability to exploit the market potential in one place. The less suitable the matching, the more purchasing power shifts to other locations or to e-commerce.

Importance of stationary trade beyond meeting demand and for inner cities

Shopping not only serves to cover needs, is also part of the **organisation of daily routines and leisure time**. Who does not like going to the stores now and then to get inspiration for a weekend meal, something for the home or to buy a gift? Sometimes it's fun to stroll around, enjoy the world and what it has to offer with all your senses, have a coffee in between and spend your free time in this way. All these needs remain potential for stationary trade and are even enhanced, while the supply function loses out. As part of our life and experience, it is a counterbalance to e-commerce and the increasing number of screen-based activities. This is where the interests of city centres and residential districts coincide with those of trade. **An attractive public space** makes a place worth living in. A lively city with a lot going on in it attracts the public, and provides the traffic that is so much needed for retail. The motive for visiting a city centre is not the need to satisfy a demand, but the stimulating place that can be experienced with all the senses. A shopping trip can be an occasion to go to the city or, because you are in the city anyway, you can do the shopping right away. **Motivation has reversed.**

Cities and retail can and must support each other in making urban centres attractive again. Monostructural pedestrian zones with the same retail concepts everywhere cannot do this. **Relocalisation** is required. In an interview with Handelszeitung, André Maeder, CEO of the Kadewe Group and member of the Board of Directors at Globus, said [42]: «**In order for a department store to be successful, it must be appreciated by the population. You need love and a strong connection with the people in the city. This requires stimuli and a local connection. We ensure we present forty Berlin-based labels in our range. This is also the case in Munich and Hamburg and an important part of our identity.**» The city needs an attractive townscape and good transport links, gastronomic formats, cultural and leisure activities, and, if need be, central functions such as urban services. In addition to attractive department stores and chain stores, retail can contribute to the experience with retail stores characterised by locally anchored personalities and stores with niche offerings typical of Bern's old town.

In the study panel, the majority consider it beneficial if a **shopping destination has a clear identity**, e.g. for regional local supply or as a leisure shopping mile. Developing such an identity is extremely difficult given the different interests of stakeholders. Successful clusters have often evolved.

Importance of stationary trade from the point of view of manufacturers and brands

Discussions so far have revolved around the relationship between stationary retail and consumers. In the traditional distribution system, which is marked with ② in Fig. 23 on page 52, it fulfils the task of creating access to consumers for the manufacturers and brands and representing them there. Retail is still needed in this function. The stationary business is able to make the products multi-sensory, which is particularly important if customers are not yet familiar with the product.

The fact that products can be sold online and that a brand can also do this itself allows the use of sales concepts that do not use retail. However, according to today's assessment, this can only be the exception. To achieve reach and market penetration, retail will continue to be needed for the time being.

The only question is how exactly the cooperation should be structured. In some industries, it will be necessary to find other forms of remuneration in addition to the trade margin if manufacturers want to prevent stationary trade from ceasing to be a distribution channel. The topic is discussed in more detail in Chapter 7.4

Outlook for the future of stationary trade up to 2030

From the observations described, it can be deduced that the structural change in stationary trade will continue in an outlook up to 2030 and will bring about noticeable changes in the townscape. Local supply with everyday products could become more diverse due to new formats. In all other formats, stores will only be able to hold on if customers come to them specifically because of their profile or if they can hold on to locations that are so attractive that people like to go there and – sometimes as a secondary aspect – make purchases in the process.

Cross-channel business concepts

- Online services and stores from stationary vendors expand their positioning.
- Implementing state-of-the-art omnichannel concepts is very complex and expensive.
- Vendors should focus on the cross-channel services that are most important to them.

«Coronavirus has shown that consumers do not want just physical stores or just online stores, they want both, depending on the situation, combined and within a single shopping process» - the confirmation of this thesis by the study participants (Fig. 16 on page 25) was one of the observations from which the change of epoch in sales to consumers was derived. Without a doubt, customers are smart and use the channel that suits them best. As a result, the best vendor would be one that could deliver all of the capabilities across all channels. That's the ideal. The reality is far from it.

It has been around 15 years since stationary vendors began to develop cross-channel business concepts. This means more than just running a separate online store in parallel. For stationary vendors, the supplementary online offerings are **services with which they expand their existing stationary positioning**. This is an important observation. In the early days, there were notions that by opening an online store, a traditional vendor could function and perform like an online-only vendor. This has only been the case in exceptional cases. Many study participants believe that a company cannot be both a very good stationary vendor and a leading online vendor. This does not rule out the possibility that stationary vendors can also provide very good online services, online stores and cross-channel functions. Fundamental conceptual differences can be seen, for example, in the product range, price and promotion policy, access to customers and infrastructure. For a primarily stationary vendor, e-commerce plays a supporting role. It also generates sales and is «the best branch» in some branch-based omnichannel companies. On the cost and profit side, however, the e-commerce part cannot be clearly distinguished from the core business and would not be viable without the core business.

During the lockdowns to combat the COVID 19 pandemic, the expansion of the existing stationary positioning was partly very spontaneous and low-threshold, for example via WhatsApp communication. This initially improvised approach can be suitable for some sectors and companies and can be professionalised. There are tools for this. Around half of the participants can imagine **that conversational commerce** via Messenger will achieve a market share of 5% or more by 2030.

As a rule, however, more complex online services are set up. Typical cross-channel e-commerce **functions for customers outside the branch** are:

- Make your own offer accessible online
- be accessible online and interactive
- offer chat/video chat, for support requests or targeted sales advice
- display the current availability of each product, segregated by location or online
- have individual products reserved in stores
- make products available to order online
- offer pick-up and, if desired, payment in the store.
- offer in-store returns acceptance
- make functions of the customer loyalty programme or promotions accessible

Operating profitable e-commerce means establishing an e-commerce mindset along the entire value chain – i.e. from A to Z.

Friederike von Waldenfels,
Swiss Commerce, 2021

Yes, omnichannel is the most complicated thing you can do.

Dominique Metz, VELOPLUS

During the lockdown, some small booksellers worked heavily with Whatsapp, an exciting alternative for smaller stores without their own online store.

Pascal Schneebeili,
Orell Füssli Thalia, 2021

We also want to use cross-channel in customer service, for example through video chat, where online customers are advised from the store.

Kilian Eyholzer, 2021, Victorinox

It's also becoming more common for people to look at furniture in the store, then think about it again at home, and then order online.

Marcel Schaniel, Möbel Pfister

Product reviews, as can be found online, are also of interest to customers who like to buy from stationary stores.

Peter W. Gygax, Carletto

An important success factor is having ownership that encourages transformation and invests even in difficult times.

Pascal Schneebeil,
Orell Füssli Thalia

Yes, omnichannel is the most complicated thing you can do.

Dominique Metz, VELOPLUS

For the employees in our stores, it is a big change process to work across channels.

Nicole Pfammatter,
Hotelplan Switzerland

In order to be able to transform from a stationary retailer with an online store to an online retailer with a stationary offer, certain requirements are needed. One of them is that the retailer already generates over 50% of their sales online. Secondly, the online store must be profitable, otherwise you cannot recover from any losses. And thirdly, it needs the radical step. A horror with an end is better than an end without horror.

Daniel Röhlin, Ex Libris, 2020

For customers **who are in a branch**, the following functions can be considered, which they may use alone in self-service or supported by sales staff:

- offer additional information on products on display
- show options not on display for products on display
- offer products from the virtually expanded range (extended shelf)
- make unavailable products orderable for home delivery and payable online
- offer unavailable products for pick-up and payment in the store.
- make functions of the customer loyalty programme or promotions accessible
- offer (self-)checkout with online payment in the sales area

All of these functions are already offered by individual vendors in the study panel. None of them offers everything. Success varies greatly. No function can be said to be almost always well received by customers. But many vendors are using some features extensively, so the cross-channel business concept is seen as a success in terms of usage. These solutions help maintain and strengthen relationships with customers even when they do not want to do business. Some vendors also generate **significant online sales**. As a result, three vendors in the study panel were able to increase their total sales by a double-digit percentage over the past three years. In one, the successful online channel partially compensated for the declining volume in the in-store sector. Slightly more than half of omnichannel vendors say ecommerce **revenues** are better than non-e-commerce channels. These companies have made significant efforts and investments in professional e-commerce over many years. They either trade in comparatively high-margin products or already achieve so many sales that they benefit from positive economies of scale. In Switzerland, they are among the leading omnichannel vendors in their respective industries. However, it is not always the same ones that are considered leaders in the industry from an overall perspective. For vendors where e-commerce is the less profitable channel, perhaps even loss-making in a total cost calculation, the business concept can still make sense in order to maintain the success potential of the overall company.

The experiences shared by companies over the entire duration of the study series show that cross-channel business concepts are a highly demanding undertaking. The complexity is enormous, the change process is lengthy. In most cases, the targets set are not achieved or are not achieved within the planned time and budget. Accordingly, a high level of commitment and willingness to invest on the part of the owner is required. In the 2018 year of the study, one study participant from a branch-based company described the challenge as follows:

«You have to try to combine digitalisation with the analogue world, with decentralised warehouses, with local people, with category expertise. You have to be available 24/7, have good product data, good visibility and good prices. Then you really have to live the omnichannel processes in everyday life. It is also important to work with industry to develop markets for their products. You also need to keep your costs under control. You can only achieve this if you have the right people, the right IT systems and doers who want to achieve all of this and take on leadership. This has to start with top management.»

The author of this statement is still in his management role. He has brought about a far-reaching company shift and achieved considerable online sales. But he is by no means finished. The adjustment of the branch portfolio remains a major task, and the overall costs are putting a strain on the company.

The only major Swiss omnichannel vendor that has successfully made a radical break is **Ex Libris**. In 2021, the company moved into new, larger business premises, symbolising that the turnaround had been achieved. From a starting point of around 120 branches, the media provider experienced declining sales and had to close branches year on year. The turning point came in 2018 when 43 out of the remaining 57 stores were closed. Ex Libris changed from a primarily stationary retailer with an online store to a primarily online omnichannel vendor. This was followed by continuous growth of the online channels, repositioning of the remaining 14 branches as service points and a focus on bookstores. This meant that sales again significantly exceeded the 2017 sales when there was still a high level of store stock.

The move symbolises that it is no longer about survival, but about exploring new, expansive possibilities again. In 2018, Marcel Speiser from the Handelszeitung spoke of Ex Libris as a «**blueprint for the industry**»[43]. However, an attempt to imitate this can only be recommended to a limited extent. Ex Libris started e-commerce in 1998, 20 years before, and was already generating 60% of its turnover online before the big cut. On the IT side, Ex Libris was well positioned and the cross-channel processes could be handled very efficiently.

Now that stores are open again, services like Click & Collect are losing importance again.

Friederike von Waldenfels,
Swiss Commerce

We will re-examine the value contribution of our stores to sharpen our omnichannel positioning.

Malte Polzin, PCP/STEG

I'm sceptical as to whether it makes sense for a traditional trading company to rely on its own online store. You have to be damn good to succeed.

Florian Teuteberg
Digitec Galaxus, 2018

E-commerce is brutal.

Marc Walder, CEO of Ringier AG

During the coronavirus pandemic, some vendors benefited greatly from their omnichannel positioning, especially well-established vendors with a large regular clientele in the market. But at the beginning of 2022, some customers started changing their behaviour again, which is puzzling some vendors. After customers greatly expanded their skills in dealing with online channels during the pandemic, it is no longer clear which cross-channel functions they still see as added value. Daniel Röhlin from Ex Libris says: **We do not know exactly what will be important for an omnichannel vendor in the future. That's why flexibility is important, and you need to have the culture and reserves to be able to react quickly.**

The status quo of many stationary vendors in the development of cross-channel business concepts could be summed up as between **necessity and overwhelm**. There are role models and successes, but no blueprint for success. Care should be taken with terms like *No-line* [44], as they create expectations that all channels can deliver the same services. Katrin Tschannen from Migros Online agrees: **As a multi-channel vendor, you have to address the specific customer needs for each channel, which are not identical.**

Operating e-commerce as a stationary retailer requires careful consideration. In which way can the online store provide so much added value for which target group that the additional revenue economically justifies the effort? In the market, it seems that the insight into the size of the challenge has not yet been established. Patrick Bundeli from INTERSPORT Switzerland reported on this in a 2021 interview: **Every week I see another sports retailer who has also launched an online shop. Very few of them will be crowned with success.**

The situation of individual, pure e-commerce vendors

- Competition in e-commerce is brutal for vendors with standard products.
- There is still space for innovative niche vendors on the internet.
- Even niche vendors need a professional website and operational excellence.

The quote opposite comes from Marc Walder in a presentation on digital transformation at Ringier [45]. Geschenkidee.ch was part of the Ringier Group's digital portfolio for 12 years and it has owned DeinDeal since 2010. Since 2010, the media group has stopped investing in online stores and has instead focused on online marketplaces. The reason is expressed in the quote: **E-commerce is brutal**. At first glance, combining a wide range of online goods with the reach of a media company is ideal. In practice, however, it was obviously not possible to manage such stores to a size that would open up an attractive, digital future perspective for the media group, in view of the given return expectations.

It is true that e-commerce has been a growth market for over 20 years and, according to an unanimous assessment in the study panel, will remain so in the outlook up to 2030. However, the assessments of the future outlook for individual vendors predominantly online show that success is not guaranteed (Fig. 25).

For the majority of individual, purely product-oriented online vendors, the future outlook is not good.

Peter W. Gygax, Carletto

At the Competec Group, manufacturers find a highly efficient organisation of the distribution chain - import, wholesale and retail all under one roof.

Markus Mahler, BRACK.CH, 2016

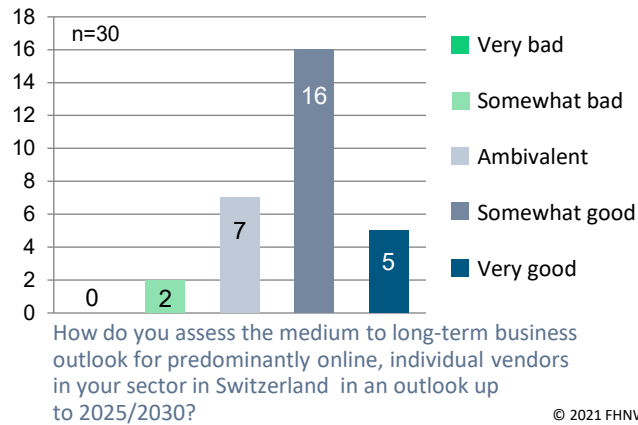
The risk for online-dominated vendors is that too many vendors have similar offers and do not have a relevant distinguishing feature for customers.

Daniel Röthlin, Ex Libris, 2021

Individual online stores are increasingly struggling to get traffic. That's why I believe that they will slowly lose importance.

Christoph Gisler, Jamei, 2020

Fig. 25: Not just good assessments for the future of predominantly online vendors



The reasons for this are described in Chapter 4.1 on the widespread overdistribution and continued concentration in the entire consumer goods market. In e-commerce, there is no need for a large number of vendors for the same product. It was already established there that there are only a few vendors per sector who divide up the majority of the market for common standard products among themselves. They are governed by the law of mass: they buy goods cheaply in large quantities and perform all the value-adding functions with maximum efficiency. The large volume allows them to make investments and define a high benchmark for the industry's online performance level. The prime Swiss example of an independent company that was successful here is the aforementioned **Competec Group** with its B2C online store BRACK.CH, which was launched in 1998. In 2021, the Group achieved sales of over CHF 1.2 billion. Apart from that, consumer goods e-commerce can be dominated by **online marketplaces or hybrid vendors**. Hybrid vendors are those who simultaneously operate as a marketplace and as vendors in their own right. Study participants from non-food segments such as home electronics, toys or households expect by 2030 that at least half of online sales will be generated by online marketplaces or hybrid vendors.

Consumers have also developed certain shopping routines on the internet, which they follow when they want to buy a product. This includes:

6. Starting with a Google search and (pre-)selecting a known vendor from the top results
7. Accessing the website of an online store that the customer associates with the respective product category
8. Going to and searching in an online marketplace
9. Starting with a Google search and then going to Google Shopping or Starting on Toppreise.ch or a similar platform, (Pre-)selecting a vendor according to availability, price or awareness
10. Browsing with a product reference on a thematic site or on social media, Going to interesting products or vendors

This list shows which **requirements a vendor must fulfil** in order to be considered for the order in the first place. Google is the number one gatekeeper in e-commerce, as well as a few other online platforms. In addition, there are domain-specific individual online stores and brand stores that customers are already familiar with or have a preference for. In the case of standard products, the most important selection criteria were listed in Chapter 4.1 availability, price, speed and convenience of delivery. In addition, preference is given to vendors who are already familiar with the system, where a customer account has already been created and all data has been recorded. If a consumer installs a vendor's app, this indicates a strong preference. If there are no preferences, the payment options can be a criterion, for example purchase on account or instalment payments. A right of return may also be a criterion, as this is not prescribed by law in Switzerland. Customer loyalty programs generally play less of a role in e-commerce than in stationary trade.

Many online vendors will lose out to marketplaces. Crucially, they don't just sell standard goods that you can find everywhere.

Kilian Eyholzer, Victorinox, 2021

You can quickly reach a first million in e-commerce in Switzerland. But it takes a profitable growth model to remain competitive in the market over the long term.

Maud Hoffmann,

Geschenkidee.ch, 2021

Customer acquisition is easier and cheaper online compared with stationary stores, but it is less sustainable and loyalty is lower.

Marcel Schaniel

Möbel Pfister, 2021

A digital platform is an ecosystem with partners, agreed interfaces and agreed contractual constellations.

Kilian Kämpfen,

Scout24 Switzerland, 2018

Online marketplaces replace the department store – you go there if you don't have a specific source of supply in mind.

Marcel Schaniel

Möbel Pfister, 2019

The problem that travel agencies have today is access to new customers. This is what the online platforms have.

Erich Mühleemann, TUI Suisse

The **direct selling brands** and **multi-channel vendors'** online stores must also be taken into account. They play a major role in the competition for good rankings on Google. Their familiarity also brings an advantage. Stationary vendors can offer cross-channel services, which an individual online vendor generally cannot. Taking all these factors into account as a starting point for accessing customers in e-commerce, the situation of overdistribution immediately becomes apparent again. There are many online vendors for the same products.

If you cannot be among the performance leaders in the core disciplines of e-commerce, which is probably true for over 95% of online stores in Switzerland, there is no alternative to **seeking success in the niche**. Chapters 4.3 to 0 the possibilities for differentiation in detail and with examples.

Several successful niche vendors are represented on the study panel. Even though they have been well positioned for years, Paradigm 1 is even stronger for them than for the other vendors. **Customers' attention** must be regained every day (chap. 0). This is at least considered a mindset. Accordingly, clarity of positioning, customer acquisition and customer loyalty are the most challenging topics in terms of sales. Almost all niche vendors try to position themselves as the top brand in their niche and become preferred vendors. In the search for independent positioning and integration of services, requirements quickly arise that cannot be realised with standard store systems and require a flexible IT system architecture. Operational excellence is also an ongoing issue. While a niche vendor does not have to be the best, reliable adherence to the usual industry level is considered a hygiene factor and prerequisite for recurring customers. If the requirements of a professional online store are too high, cloud store solutions or online marketplaces could be an alternative.

Online, the niche market, is never saturated. Anyone who understands a customer need better than other vendors and can address and serve it in a targeted manner has a new opportunity at any time. The decisive factors are the clarity of the positioning and the focused implementation.

7.3 Close to the customers: the new roles in the network

- Customers always have the customer access service providers and online marketplaces with them.
- The cost of digital platforms puts more strain on retailers than on manufacturers.

Chapters 7.1 and 7.2 distribution concepts and perspectives were dealt with for traditional service providers only. The digital platforms that have become extremely important in the meantime will be discussed below. If they are not hybrid players and simultaneously assume several roles, they do not acquire ownership of the traded products and are therefore not part of distribution in the narrower understanding of the concept. The following section discusses the roles of *customer access service providers*, e.g. Google or Facebook, *online marketplaces* and *platforms for local logistics supply*. It is the customers' decision whether they want to use them in the context of their consumption desires. This can happen at different stages of the buying process. The functions used in this process can have a significant influence on the selection of a vendor to whom access is provided.

The role of customer access service providers and online marketplaces is characterised by the fact that they are practically **always in the immediate physical proximity of consumers** on their smartphones. As constant, personal companions, they know a lot about the individual and their situation. If a consumer decides to use one of the services as part of a purchase request, the service is the first point of contact and learns about the request earlier than any member of the distribution system. The two platforms marked ⑨ and ⑩ in Fig. 23 on page 52 have placed themselves between vendors and their customers. As a result, retail lost one of its most important characteristics - being the exclusive link between distribution and consumers. Combined with their power, the two platform types can be described as e-commerce gatekeepers. It can be assumed that they are involved in well over half of all B2C transactions in the consumer goods industry, at least at the beginning of the purchasing process.

Online marketplaces are a necessary evil, customer access service providers are a help. The important difference is whether we can use the customer data.

Stephan Widmer, Beliani, 2020

There is no point in shouting about powerful platforms. You have to work out how you can use them to your advantage.

Friederike von Waldenfels, Swiss Commerce

For us, reducing our dependence on the GAFAs of this world goes through the lever of good existing customer management.

Marc Isler, BRACK.CH, 2019

If platforms such as Google also display the purchase function for consumer goods, I don't see any problem as long as the vendors have the relationship with the customer.

Erich Mühlemann, TUI Suisse

The business model for **customer access service providers** is to sell vendors access to people who might be potential customers for them. **Online marketplaces** earn their income through sales commissions, advertising subsidies and fees. The amount of costs incurred in this way has been a recurring issue since the start of the series of studies and is a particular problem for individual vendors. After all, depending on the role of the vendor, costs have a completely different significance. If, in a certain demand constellation expressed in the customer's search terms, the acquisition costs amount to 15% of the sales price, but the trader only achieves a margin of 30%, they will probably not be able to fulfil such an order in a way that covers their costs. For a direct-selling brand or a retailer with private label products, on the other hand, 15% is often not a problem because their margin is higher.

In the following discussion of customer access service providers, online marketplaces and networks for local logistics supply, the focus is on the functions they provide and the role they play in distribution.

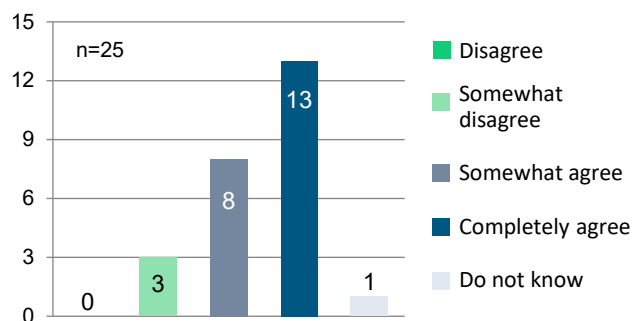
Customer access service providers⁹

- Customer access service providers facilitate contact with suitable customers.
- Social media is an opportunity for value and service-oriented niche vendors.
- Being able to use the data of referred customers is central for vendors.

In this study, **customer access service providers** are defined as digital platforms that have focused on merging vendors and customers. **Search engines and social media** are the most important – these being, in Switzerland, Google and Meta with their three platforms Facebook, Instagram and WhatsApp. Until recently, referrals have generally taken place by forwarding interested parties to a linked vendor website on which the interested party can make a purchase. For several years now, it has also been possible to make purchases or bookings abroad with customer access service providers. By not switching to the vendor's site, but triggering the transaction at the same place where the customer found the offer, a seamless purchase is possible. The resulting contract is concluded with the vendor of the product and the data for this is forwarded from the platform. As part of the resulting customer relationship, the vendor can continue to use the data beyond the transaction, manage it in their CRM system and try to establish a lasting relationship with the customers.

For many vendors who pay for customer access via these platforms, **the provision of customer data** for their own use is an important component of the service. It means that the costs of a customer acquisition do not just have to be borne by a single transaction. Instead, they are offset by the sum of all sales generated in the further course of the newly created customer relationship. Fig. 26 shows that the study participants attach a very high importance to the acquisition of the right to use customer data beyond the individual transaction. In contrast to online marketplaces, the service of a customer access service provider is therefore not about referring an individual order, but about referring a new customer.

Fig. 26: The right to use customer data is of the utmost importance for vendors



For individual vendors, it is of paramount importance that there are customer access service vendors who refer customers to them and thereby transfer the right to customer data.

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To continuously attract new customers, Google Shopping is the only channel that works well.

Allen Krief, DeinDeal

Being dependent on a few platforms when it comes to traffic is a risk.

Stephan Widmer, Beliani, 2021

Expensive Lego products purchased by number are predestined for price comparison and e-commerce.

Marcel Dobler,

Franz Carl Weber, 2019

Customer access service providers are important for getting traffic, but we do everything we can to avoid becoming dependent on them.

Sebastian Paul, Victorinox

We will also see progress in Switzerland by 2024 in terms of selling products via WhatsApp.

Silvano Senn, Meta

We're experimenting a little on Facebook and Instagram and the response is very strong.

Jérôme Meyer, ALDI SUISSE

There are three groups of customer access service provider: universal search engines, social media in conjunction with influencers and content creators, and product search engines and price comparison platforms.

In Switzerland, Google is the only relevant **universal search engine**. For many vendors, more than half of the traffic coming to their online store is via Google. In this respect, it can be said that the diverse e-commerce vendor market in itself is centralised by Google. For vendors, this results in the advantage of only having to focus primarily on a single access point. Accordingly, they can specifically build up expertise, software tools and relationships with specialised service providers. After all, success on Google requires a company to continuously adapt its acquisition strategy to changing market conditions and to align its content and the store's performance with Google's ranking criteria. The downside of the central access point is an **extreme dependency**. Many vendors are aware of it and it causes them headaches, but hardly anyone has found a way around it. Only regular customer management is therefore given even more weight.

Four factors are relevant for the acquisition costs of search engines: the amount of search volume on the demand side, the intensity of competition for placements on the vendor side, the online marketing expertise of the vendor and the willingness of customers to buy, which is expressed in the conversion rate. A vendor has no influence over three of these four factors. In addition, Google occasionally changes its search algorithm, which can also change a vendor's ranking overnight. All of these factors mean that the costs of customer access and sales planning are always subject to considerable uncertainty.

In contrast to Google as a universal search engine, **product search engines** and **price comparison platforms** are specifically geared towards consumer goods. In this way, they support the information phase and sometimes also the agreement phase for people who already have a concrete intention to buy. They are useful for customers who want to obtain a vendor-independent overview of the range available on the market in a product group. Therefore, the very nature of these platforms is to aggregate the data of current offers. However, they are primarily used to compare current prices and availability. At Toppreise.ch it is possible in some product groups to view the availability in stationary stores. This also allows stationary vendors to be found during the online search processes of potential customers.

The term **social media** encompasses all platforms on which private individuals can obtain information, share opinions and ratings and exchange information in groups they have formed themselves. This also includes their consumer interests. Consumers also use social media to follow vendors and ask them questions, for example. Some users attract a lot of attention as personalities or through their expertise in a certain area and are therefore referred to as **influencers**. What was originally primarily a natural consequence of a personally motivated commitment has long been discovered as an opportunity to earn money. Today, a lot of content is posted on social media by professional influencers. While non-commercially motivated influencers usually only appear on one channel, professional influencers serve different channels and produce a wide range of text, image and video content, which is why they are now often referred to as **content creators**. In the context of consumer goods sales, Facebook, Instagram, Pinterest, WhatsApp, YouTube and TikTok are the primarily relevant social media in Switzerland. E-commerce in the context of social media is also known as social commerce.

A study published by FHNW on social commerce in August 2022 defines the term and provides information on the currently relevant platforms as well as the type and frequency of use of social media in Switzerland [46].

So far, social media platforms have primarily supported the incentive and information phases of purchase transactions. In the context of **value and service-oriented market segments**, they are the only platform type that does not primarily focus on products with their traditional functional characteristics. They give content creators the opportunity to put together **individually curated ranges** for niches, even across vendors. Compared with the often huge, characterless product ranges of large vendors, this can represent added value for those willing to buy and make their decision easier.

Social commerce is gaining strongly in importance. It is crucial to address the target group in a targeted way.

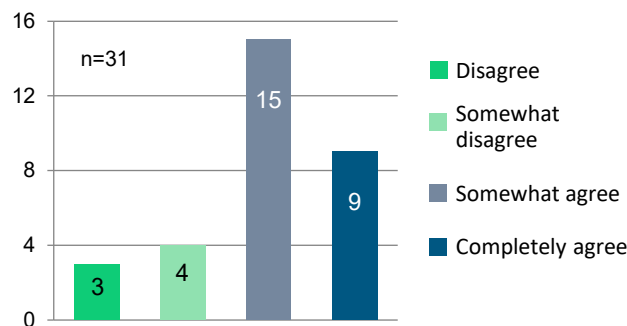
Peter W. Gygax, Carletto

Especially for smaller vendors, **the possibilities of addressing the target group in a targeted manner** are a great opportunity and a good alternative to Google. In social media, it is not the product but the target group that is differentiated, on the one hand according to people's motives, opinions and evaluations and on the other according to their contexts. This means that social media can link consumer-relevant aspects to specific topics, situations and social groups. This enables a different potential for target group selection compared with search engines, namely based on the characteristics and behaviour of individual persons. In the market conditions of over-distribution, where vendors must differentiate in many ways, it is of great importance that there are platforms on which the **characteristics of this differentiation can be adequately represented**. Social media also support community building and interaction, which can be very valuable in niche segments.

Fig. 27 shows that three quarters of the study participants consider orders based on social media to have the potential to achieve a market share of 10% or more by 2030. Depending on the industry, some feel that 10% is too low or too high; in the fashion industry, that figure could already be reached today.

Despite the rather clear picture of opinions, there are still great uncertainties about the exact chains of effects in customer acquisition via social media. This is because the effects are often not evident from clicking on a unique link.

Fig. 27: Social media has become significant as a source of orders



Orders originating from social media or influencer blogs related to specific products will have a market share of 10% or more in our industry by 2030. © 2022 FHNW

Today's young people will behave differently as consumers in 2030, so I can imagine the increase in the importance of social media.

Philippe Huwyler, coop.ch

We don't see social media as a starting point for orders in our figures.

Sebastian Paul, Victorinox

In 2021, we trialed holding two big digital fashion nights. Next, we'll experiment with smaller, more frequent social media events.

Reto Senti, PKZ Burger-Kehl

At the moment, this raises question marks, especially at TikTok. Social media has a keen interest in improving these links and is **on the threshold of entering the transaction**. This means that they also want to map the purchase process on their platform. This has a usability advantage, especially on smartphones, but also changes the character of the platforms. Whether this will catch on in Switzerland and what the impact will be remains to be seen. The study participants are neutral towards this, as long as the platforms do not completely take over the customer relationship by denying the right to use customer data, as many online marketplaces do.

Many successful influencers or SMEs with a niche positioning take the pragmatic route. They rely on a low-threshold cloud online store such as Shopify, which already has interfaces to platforms such as Instagram as standard, and place the shopping link to the respective product right where they publish their content.

Online marketplaces ⑩ ⑪

- The market share of online marketplaces will continue to increase in many industries.
- Direct-selling manufacturers in particular rely on marketplaces.
- For niche brands, marketplaces can be more profitable than their own store.

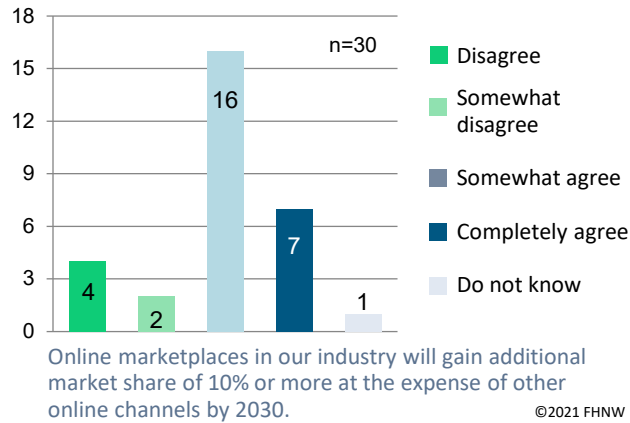
Customer access service providers sell traffic to vendors, while **online marketplaces sell orders**. Both platform types are in pole position in their domain, and it is impossible to imagine consumer goods distribution without them.

A question on the further development of vendor concentration had already shown the expectation in the 2021 year of the study that online marketplaces will participate disproportionately in the growing e-commerce market (Fig. 28).

We're pushing our own brands and exclusive brands on Galaxus. This is also a marketing channel.

Friederike von Waldenfels, Swiss Commerce, 2021

Fig. 28: Increasing market shares of online marketplaces are expected in several industries



As already mentioned in chapter 7.2 in connection with the situation of individual e-commerce vendors, the importance of online marketplaces differs significantly by industry or product group. They do not yet play a role in the food and supermarket segment in Switzerland.

Chapter 7.2 also introduced the term **hybrid vendor**. It refers to vendors who are both active as referring marketplaces and traders on their platform. The advantage of the double role is that the range can be larger and more attractive from the customer's point of view. However, the problem from a competition law point of view is that the platform operator can use the data on the offers and sales of the external vendors on the marketplace to optimise its own offering. Study participants have reported experiences that over time the operator of a marketplace where they sold items offered their successful products themselves and became their competitor. Such practices are the subject of antitrust investigations and could be prevented in the future. Most well-known online marketplaces today are hybrid, such as Amazon and Galaxus, but so too are the marketplaces of some vendors, which are primarily known for their own offerings such as Zalando, microspot.ch or Manor.ch. Ricardo and eBay continue to be purely online marketplaces. Ricardo falls into category ⑪ – **C2C marketplaces**. Their offerings comes mainly from private or semi-professional sellers. Ricardo also tries to find listings for new goods that are not available in retail. Ricardo is treated as a marketplace for non-commodity and long-tail products in Chapter 4.4 The founding of the Swiss Marketplace Group, into which almost all well-established Swiss online marketplaces were integrated in 2021, is the subject of a side note in Chapter 2.

Over a 10-year horizon, I expect government intervention to regulate the concentration of power on digital platforms. This would fundamentally change the market.

Study participant, 2021

As a trader, it makes sense to only offer on a marketplace those items where you have a particular advantage, such as exclusivity, above-average delivery capacity and an above-average trade margin.

Marcel Schaniel
Möbel Pfister, 2021

Online marketplaces are particularly promising sales channels for brands and wholesalers, which is a difficult development for retailers.

Dominique Metz,
VELOPLUS, 2021

Most people associate online marketplaces with open platforms where any vendor can sell, e.g. Amazon. But this is no longer the rule. Galaxus, microspot.ch and Manor are **selective marketplaces** where a vendor cannot simply offer self-service. The reason for this is that the platform operators want to control the offering on their platform in a targeted manner. The aim is to ensure a uniform presentation of offers by setting requirements for the quality of the product data and updating them. In addition, vendors must have achieved a specified performance level in fulfilment so that the reputation of the platform is not damaged by poor order fulfilment. The platforms also aim to expand their product range in terms of popular items. Multiple listings of the same items from multiple vendors should sometimes be limited.

The product data required on the platforms is predominantly highly structured so that specified characteristics can be searched for in a targeted manner. This is problematic for value and service-oriented vendors who want to differ very specifically. Their **differentiators are often difficult to convey**. This levels the supply and boils down the decision criterion to the lowest price being. This is why Lars Feldmanns in his quote (Chap. 5.1) emphasises that Betty Bossi puts all its energy into direct customer contact.

Most major online marketplaces deny sellers on their platform the right to use the customer data obtained during a sale beyond what is necessary for order fulfilment. For many vendors, this is an important difference and disadvantage compared with customer access service providers.

Sales on online marketplaces in the seller model go well when you use marketing money in addition to the commission.

Beat Grüning, Tally Weijl

Niche brands are predestined to reach new customers on online marketplaces without major investments. Setting up your own online store is far too expensive.

Heinz Krienbühl, Bucherer, 2021

Timely and fast delivery of goods is an important skill for the retail of the future.

Mario Runco, Migros Aare

We are cooperating with competitors to create the conditions for some new services. Together, this will enable us to make greater investments and have better technology.

Peter W. Gygax, Carletto

Depending on the product category, Galaxus, for example, charges a **commission** of 7 to 20% of the sales price [47]. In categories such as home, sports and fashion, Galaxus charges 15%. If you want to sell these products on Amazon, you usually need to spend more to be successful. For retailers who come third in the distribution chain, this is often no longer lucrative. Marketplaces are therefore particularly attractive for high-margin products, such as a retailer's own-brand products, or products for which there is no price competition due to a lack of supply. For standard products, marketplaces are of particular interest to manufacturers and brands. The study participants tend not to believe that **Asian vendors** could take off in Switzerland with cheap no-brand products. In 2021, two-thirds disagreed with the thesis that they could achieve a 10% market share in their industry by 2030.

In summary, online marketplaces can be very effective sales channels if you can sell products with little competition and good margins or if you have very good prices and efficient logistics for commodity products. With niche offerings, selling via online marketplaces can incur **lower costs than through a dedicated online store** – the marketplace is then an outsourced distribution channel. The prerequisite is that the niche offerings can be represented sufficiently well so that they can also be found by interested parties. There are indications that the above-average **growth** expected by 2030 **could be driven by direct-selling manufacturers** and brands because they can increase their direct-selling efforts and easily bear the costs incurred. As a vendor, you always need a differentiated strategy for online marketplaces.

Local logistics supply ⑫

- Orders are placed where the goods are delivered to the customer in the most suitable way.
- Upheavals are expected in local logistics supply by 2030.
- Farmacy does not bundle its product range at a warehouse, but only in the delivery.

The **mobile distribution concept** provides for a daily service to 178 stops in the city of Zurich according to a defined timetable and to serve customers with the desired supermarket products for 10 minutes at a time. The idea is to achieve a high reach by driving to customers as a vendor instead of them having to come to the store. Can such a concept work today? Not really. But in 1925, when Gottlieb Duttweiler, founder of Migros, started with precisely this concept and five Ford-T vans, it worked [48].

The concept described is reminiscent of **Picnic**, the Dutch food e-commerce pioneer that initially called itself «milkman 2.0». Exactly 90 years after Gottlieb Duttweiler, he began delivering ordered groceries – according to a schedule that changed daily. Customers look at the timetable for their street, choose a time slot that suits them in the coming days and place their order. Even for Swiss food e-commerce pioneers, the online purchase process begins with the specification of the destination in order to select a delivery time window as a second step. Depending on which one you choose, there is a different range on offer. With **Farmacy** there is a choice of three delivery time windows per day; the exact delivery time is notified with +/- 15 minutes. **myMigros** offers a delivery time window of one hour. With **Stash**, the order can be received in less than 15 minutes (Chap. 0, Quick Commerce). The usual purchasing logic is upside down – first select the delivery time, then the products. What is ordered is what comes to the customer in the most appropriate way. The products themselves are commodities.

There is currently a trend in the grocery and supermarket segment towards even more points of sale in order to shorten shopping distances for customers. At the same time, however, distribution logistics are also changing. In the past, each distribution system had its own logistics concept with its own infrastructure, but these systems are increasingly opening up. Partners' logistics ecosystems are formed at a higher level of aggregation. They invest in common infrastructures and interoperability to achieve higher levels of performance and better utilise their resources. The adjoining quote by Peter W. Gygax from the toy wholesaler Carletto shows that this is done at the level of corporate groups, with joint infrastructure, agreed processes and interfaces. The *Cargo Sous Terrain* project, which among other things aims to optimise the movement of goods between Swiss conurbations with an underground tunnel system, shows that this is happening at the national level of the *Smart Logistics Grid* ⑬.

In metropolitan areas, additional regional logistics for local supply services will be established in the next ten years.

Mario Runco, Migros Aare, 2021

By 2030, I predict that there will be fast, simple and inexpensive local distribution logistics in places with a population of 10,000 or more because there is a sufficient density of stop points.

Pierre Wenger,

Interdiscount | microspot.ch

Inner-city deliveries will change profoundly. By 2030 there will be no fossil-fuelled delivery vehicles in the last mile.

Philippe Huwyler, coop.ch

Last mile delivery is an important differentiation factor, which is why the vendors want to do it themselves.

Dominique Locher, Farmy

And the numerous local and regional courier services that use bikes, electric vehicles and small vans to make last-mile deliveries for e-commerce, show that this is happening at the local level. Vendors such as **Annanow** ensure the interplay of regional courier networks. In organisational terms, all of these services are based on networked digital infrastructures, so that digital logistics networks can be referred to as **digital supply networks** in e-commerce fulfilment. The circle for **local logistics supply** ⑫ in Fig. 23 on page 52 should also be understood as such.

As with the discussion of Paradigm 1 in Chapter 0, the question arises again here - who comes to whom? For the time being, it is impossible to foresee that our shopping habits will turn around in an outlook up to 2030 in such a way that goods generally come to our homes instead of being collected from a shop. However, the fact that local logistics supply will be expanded – also due to the drastic increase in home deliveries – and that it will even have to be reconstructed due to urban transport problems and climate-related changes is to be expected during this period.

What makes the **reversal of the fetch-bring model** so difficult to imagine is that one would imagine it linked to legions of couriers. However, this does not have to be the case if the product range is not bundled in a supermarket or department store, but in an app. Farmy only bundles the goods of more than 1,200 producers virtually so that they can be added to the virtual shopping cart online or in the app. With order picking, the goods are merged according to the order-specific deliveries from the suppliers in the two regional logistics centres. The Farmy range is never completely in one place. This means that **Farmy can be understood as the operator of a digital supply network** and the core of an ecosystem of participating suppliers. In North America, Instacart is one such vendor on a larger scale. Its app lists 500 million products from 40,000 local grocery stores and branches in 5,500 cities. The delivery location and time determine the locally selectable offer. Such vendors see themselves as a **platform for a combined service**. This goes beyond the self-image of a retailer such as myMigros or a logistics service provider such as Uber with the aim of becoming a multifunctional mobility platform.

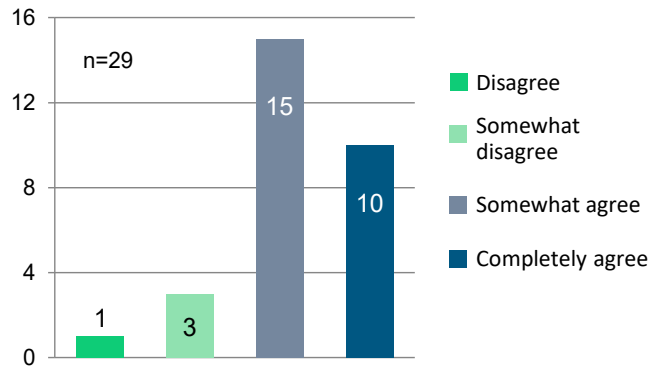
Even if there will be no paradigm shift, it is quite conceivable that the reversal of the fetch-bring model in an outlook up to 2030 could lead to a whole group of new vendors in Switzerland in addition to the pioneers. It would be another niche market. The differentiation approach falls within the services discussed in Chapter 0 which increase the convenience of purchasing.

7.4 Brands and manufacturers versus retail

- The share of retail in distribution value creation is decreasing.
- Brands can no longer be denied direct sales to end customers.
- Cooperation between brands and retailers must be realigned.

Since about 2012, this series of studies has observed that the attitude of manufacturers and brands towards the internet and e-commerce has changed. For this reason, the bypassing of traditional distribution structures by brand manufacturers was dealt with in detail in the 2016 edition of the study [49]. It revealed that *e-commerce was largely a retail issue in its first 15 years or so. Since around 2012, a large proportion of brand manufacturers have questioned the strict division of tasks with retailers, tried to manage the online sale of their products themselves or sold at least parts of their product range directly to end customers.* This development has carried on continuously since then. **There was a breakthrough in 2020 during the coronavirus pandemic.** Brands massively expanded their efforts to sell directly or shorten the distribution chain. The stores being closed as a result of the lockdowns left them no other choice in a way, but it was also a good justification for the fact that now even less consideration could be given to the sensitivities of the stationary trade partners. Adidas' change in strategy illustrates this by way of example [50]: Its new strategy, entitled «Own the Game», aims to achieve half of Group sales through direct selling by 2025 [51]. E-commerce sales are expected to double again and account for the larger share of D2C sales. Investments are also being made in the company's own flagship stores and other store formats. The justification leaves

Fig. 29: Decreasing share of retail in distribution value creation



The share of traditional retail creation in value creation in distribution is decreasing in our industry. © 2022 FHNW

There's a need for action in distribution in terms of margin distribution. This is generally much lower in retail than for manufacturers.

Lars Feldmann, Betty Bossi

nothing to be desired in terms of clarity: «**Direct sales to our consumers have a positive impact on turnover and profit** and also provide **valuable insights into consumer behaviour**». Such a rethink took place with the change of epoch in 2020 for many strong brands. The development also contributes to the fact that the share of retail in distribution value creation is continuously decreasing (Fig. 29).

Brands and retailers are in a relationship crisis. Below, the development of the conflict is examined from the perspectives of the two counterparties and a conclusion is then drawn. The focus is on non-food segments. Although the manufacturer-retail relationship is also strained in the food and supermarket segment, this has to do with overdistribution triggered by the internet. However, both e-commerce and direct manufacturer sales still play a relatively small role here.

Changes to the market from a brand perspective

Today, customers want to decide for themselves when, where and what they buy. And above all, they want to have access to the entire product range.

Reto Aeschbacher,
Scott Sports, 2016

After remaining largely stable for decades, the linear distribution chain for consumer goods (Fig. 23 on page 52 ②) was challenged by the internet. Suddenly, consumers around the world were able to engage directly with brands in a low-threshold way. Brands were not prepared for this. All interaction with end customers had been the responsibility of retail. Retail, on the other hand, was a fragmented role, locally focused on only one region at a time, which was neither called nor able to represent the brand in the internet's communication channels. The result was a vacuum that was filled by the brands with their own websites and brand-appropriate content. But they did not want to sell themselves. They were simply unable to do so, and it was clear that this would result in serious conflicts with their distribution partners. Neither the brands nor the stationary retailers were able to sell online. The first vendors of branded products to appear on the internet were new, pure e-commerce players and vendors on online marketplaces. Those who had access to the goods and knew how mail order business worked were able to implement this very easily, needed a relatively low margin and were able to offer an unrivalled low price. Traditional distribution was not pleased with this. Although antitrust law does not allow a brand to prohibit sales on online marketplaces, from then on the brands' efforts were directed towards regaining qualitative control over distribution in terms of brand representation and conditions. As retail is not suitable for this, the brands supported individual, selected retailers or other partners in ensuring brand-appropriate online availability of their products. Some brands also started setting up their own e-commerce, but had to endure major conflicts with retail and sometimes withdraw their online stores. In other cases, they were able to calm the situation by allowing consumers and brand fans to order directly from the brand, but the conditions were so restrictive that retailers, with their usually lower prices, hardly experienced any competition. This was unsatisfactory for the brands because they had to bear high investments and running costs for online direct sales, but were only able to exploit the sales potential to a fraction of the extent, taking into account retail.

It's a danger for brand manufacturers if their stationary trade partners cannot compete with pure players.

Michael Lipburger,
Jura Elektroapparate, 2016

Lifestyle brands will significantly expand their online direct sales by 2030, and many want to double the share.

Sebastian Paul, Victorinox

For most brands, direct selling is just a niche where they can do market research. But on their own, they don't create deep market penetration.

Lars Feldmann, Betty Bossi

We also strive for a relationship-oriented business model with our end customers and are intensifying our CRM efforts.

Sebastian Paul, Victorinox

Our suppliers, the brands, are also our competitors.

Retail study participant

Meanwhile, **stationary retailers** recognised that they were losing sales due to new online vendors entering the market and became involved in e-commerce themselves, with their own online stores or on marketplaces. From this point on, numerous online ranges were available for the easily identifiable brand products. Competition was often based on price and the situation described under the heading of *overdistribution* in Chapter 4.1 emerged. This caused a lot of resentment among the brands. For a long time, people were working on concepts to improve the situation [52]. Sometimes they began quietly implementing them. Not until the lockdown in 2020 did a breakthrough become possible.

From the statements of the study participants in the last few years, the following statements could be derived that fit the **current attitudes of many brand manufacturers**:

- In an environment of overdistribution, the identity of the brand must be made clearer and displayed in a brand-appropriate manner at all touchpoints.
- The brand wants to have its own contacts with as many consumers as possible, activate them and involve them in actions, gain user-generated content, promote interaction and communities. To this end, it wants to use exclusive incentives.
- The brand wants to base its activities on its own data on market trends and user behaviour.
- The brand wants to decide at its own discretion to what extent it wants to sell directly online and in-store and thereby generate income.
- The brand wants to work with dealers and other distribution partners to increase its reach and sales potential.
- The brand wants to be represented on online marketplaces and digital platforms that are relevant to it, have as much control as possible over the brand presence and be able to participate in the sales potential.
- The brand wants to work with retail partners who fit the brand, identify with it and are willing to commit to achieving the brand goals. The brand is willing to appropriately remunerate the retail services and invest in partnerships.
- Trading partners who do not meet these criteria should be shifted to another market segment or their importance reduced by an appropriate sales strategy.
- Competition at price level should be kept under control.

The brands are aware that realising their ideas can involve significant changes in distribution. For them, this means risks, adaptation and investment requirements. On the other hand, it is important for them to maintain and further develop the value of their brand in the long term and to be able to continuously benefit from their earning power. The prospects for this are good in thesis, as the desired changes in distribution are more likely to lead to higher rather than lower yields.

The retail perspective

Chapter 7.2 has already stated that the traditional business model of stationary trade is threatened in many ways. In addition to market transparency due to the internet, the loss of exclusive access to end customers and the sales lost to online marketplaces and pure online vendors, the increase in manufacturer direct sales is another threatening development. In the distribution of consumer goods, **stationary retail continues to be by far the most important sales channel**. The vast majority of manufacturers and brands rely on their services, not to mention the consumers who value them in the majority of shopping situations. On this basis, retailers are also looking for sustainable cooperation in distribution. They know that successful stationary vendors and, in particular, chain stores are gaining in importance for brands in a time of declining trade. They also know that many brands imagined direct online selling would be easier than it was and now appreciate the service retail provides more than ever. Nevertheless, many stationary vendors see themselves **on the defensive**. They do not always perceive the behaviour of manufacturers and brands as partnership-based. The most important statements about **typical retail attitudes** are:

- Retailers want to sell branded products and get involved with them. They know that branded products are important for the attractiveness of their offering, but they must also be able to preserve their own identity.
- Retailers need commitment from the brands and planning security for the future.
- In a trusting business relationship, retailers are willing to share data with the brand, even if this would make it easier for them to sell directly.

Manufacturers are increasingly willing to use more funds for targeted marketing services from retailers.

Pierre Wenger,
Interdiscount | microspot.ch

- Retail calls for service-appropriate conditions. In particular, it needs a differentiation between the margin for stationary retailers who present the goods in their store and for online retailers who do not.
- Retailers need conditions in which they are able to compete against others. Many retailers need more support, whether in the form of a higher margin, a reduction of goods risk, higher budgets for marketing activities or in other forms.
- The brand must support the retailer in sales, with an attractive product range, with physical and digital assets, with availability of goods, knowledge of product cycles, etc.
- The brand's distribution policy must ensure that the goods cannot be offered elsewhere at unrivalled low prices.
- The brand must not discriminate against Swiss retailers in comparison with foreign retailers.

Retailers are considering delisting non-partnered, direct-selling brands. To build an alternative, some are looking at launching their own trademarks. Retailers who are annoyed by exorbitant Swiss purchase prices are trying their hands on grey market imports.

Currently there are only losers.

Retail study participant

Most retailers are aware that failure to improve their competitive situation could mean the end for them in the medium to long term. Some are experiencing an upswing as competitors have disappeared and are benefiting from it themselves. This will win them time, but it is not a solution to the structural problems. The general future outlook for stationary retailers is not so good, as Fig. 24 on page 59 shows.

Upshot: competition in distribution systems

Retail is in a defensive position, and due to a lack of support, it is not always as committed to the brands as it could be. It does not show its potential in working with the brands.

The brands have gained more power and are now placing higher demands on retailers.

Allen Krief, DeinDeal

Manufacturers and brands can no longer be denied the right to have their own access to the customer. All brands that can afford to do so are increasing their demands on retailers. They are aware of their problems, but are hesitant to accommodate them. The brands are not showing their potential in their cooperation with retailers.

To sum up, this assessment of the situation gives the impression of a racing car in a car race that is driving with two handbrakes applied at the same time.

Manufacturers and retailers should each do what they do best in distribution. More cooperation, transparent division of tasks and appropriate remuneration are needed.

Dominique Locher, Farmy

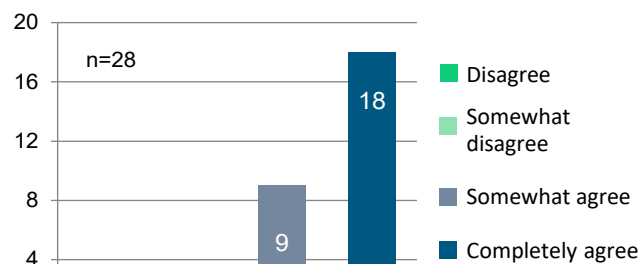
The image of a race can be applied to the competition in distribution systems. Fig. 23 on page 52 shows that the linear distribution chain is a distribution system that competes with other distribution systems. If the previously dominant **division of tasks in the consumer goods sector does not find more efficient ways of working together, it could fall behind**. Today's players could lose market share to vertically integrated vendors ③ and margins to the powerful digital platforms ⑨ und ⑩. Success or failure in distribution is decided not only by the individual company but also at the level of the distribution system as a whole. It is time to overcome the entrenched positions and remove the blockages.

Retailers also need turnover-independent remuneration for the service functions they perform for a brand, but what should this be based on?

Beat Grüning, Tally Weijl

Almost all study participants confirm the **need for a realignment of cooperation between manufacturers and brands on the one hand and retail on the other** (Fig. 30).

Fig. 30: Need for realignment of cooperation



Manufacturers and brands will also need retail in the future. But cooperation needs to be re-explored, and retail functions and their remuneration needs to be treated in a more differentiated way.

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We're seeing brands significantly reduce their number of trading partners, select the right ones for them and strive for more professional collaboration.

Reto Senti, PKZ Burger-Kehl

We particularly enjoy working with retailers where we can build credibility for the brand.

Markus Büchel, ON

A more systematic differentiation of retail margins based on the services rendered is necessary.

Peter W. Gygax, Carletto

The basic question is what it is worth for a manufacturer to be able to physically display goods at the point of sale.

Roger Bühler, Franz Carl Weber

Despite the confirmed need for action, the discussions in the study panel and with numerous other representatives of other companies on the same topic gave the impression that the attitudes on both sides are entrenched and sometimes also characterised by mistrust. From the perspective of an external observer, the **following thesis could be useful for starting a discussion on lifting the blockade.**

Releasing the handbrake requires more **intensive cooperation between brands and retailers**. In both roles, there will be one group that is willing and able to do so, and another that is not. For those who do not find forms of more intensively working together, the mode of working remains the same, but they could be affected by the reduction in the number of trade relationships between brands. For those who engage in more intensive cooperation relationships, the following attitudes could be useful:

- Retailers also see the brands as customers and focus their services more specifically on them. Retailers help manufacturers and brands build and maintain their brand value. Brands appreciate there must also be space for the identity of the retailer.
- Brands formulate conditions under which they are prepared to enter into longer-term agreements with a retailer and give them planning security. The objectives for direct marketing of the brand as well as the type and handling of data provided by the retailer to the brand are explicitly discussed.
- Retailers and brands agree on the mutual services in detail in the typical business transactions. Remuneration is differentiated according to performance. It consists of the trade margin for sales by the retailer and of sales-independent remuneration for showroom, awareness and personnel services provided by the retailer for the brand and its products.
- A more differentiated performance and remuneration agreement will lead overall to a better remuneration situation for the retailer than today. In return, the intensified cooperation should lead to the brand being more successful, even if this cannot be measured financially by the retailer.

The creation of such an intensified cooperation is similar to that of selective distribution agreements, but keeps the brand open to other forms of distribution cooperation. Furthermore, critical topics such as direct sales activities planned in parallel to indirect sales and the type and scope of data to be exchanged are explicitly agreed. Remuneration that is not linked to in-store sales usually relates to services that differentiate stationary trade from pure online retail.

8 Expectations in an outlook up to 2030

The market share of the value and service-oriented market segment must grow if we are to maintain our prosperity and social stability. ...

There will certainly be a shift to buying less, but of greater value.

Jérôme Meyer, ALDI SUISSE

We are used to living in times of growth and loose money. It's hard to see how people will behave when that changes.

Katrin Tschannen, Migros Online

Concentration will increase and at the same time there will be many new vendors.

Allen Krief, DeinDeal

Many vendors will fall by the wayside in medium-sized retail between now and 2030.

Roger Bühler, Franz Carl Weber

By 2030, e-commerce will be much more normalised than it is today. But there could be a renaissance for well-connected physical stores in cities.

Peter W. Gygax, Carletto

- A number of participants' expectations show that structural change is continuing.
- Sustainability and upheavals in logistics are the most important trends.
- E-commerce will continue to grow, driven primarily by brands and marketplaces.

At no time in the series of studies was the uncertainty regarding external living conditions as high as at the beginning of 2022 following Russia's invasion of Ukraine. This was also noticeable in the interviews conducted from this point on. The future has become even less predictable than it already was. In the context of the Swiss consumer goods industry, **the growth of prosperity** and associated consumer spending are affected by this. Increasing value and service-oriented demand, which is a key finding of this year's survey, is linked to people being able to afford the services. **For various reasons, it could be that we have reached the upper end of a 70-year increase in prosperity**, according to one study participant.

The increased risk perception led to individual participants adjusting their forecasts for the current year slightly downwards back in spring 2022. Nevertheless, **an optimistic attitude prevails**. No participant spoke of a reduction in investments or austerity measures. So far as the structural change in distribution within Switzerland is concerned, the expectations of the principal developments remain fundamentally unchanged. In the event of a recession, however, more vendors would probably have to give up.

8.1 Continued growth in e-commerce market share

The entire third part of this study report is aimed at describing the elements of the existing distribution with their strengths, weaknesses and expectations for the future. The expectations outlined below are extrapolated and summarised as **the most important expectations in an outlook up to 2030**:

- The vendor landscape and distribution systems will become even more diverse. On the vendor side, concentration is increasing, while at the same time a wide range of new vendors are emerging. In distribution, the strict division of roles is continuing to break down. The linear distribution chain is being replaced by more diverse forms of cooperation and aggregation.
- Manufacturers will be more diverse. Partial direct sales will be a matter of course, while predominant direct sales, primarily via digital platforms, will not be unusual.
- Online marketplaces will continue to gain market share. The framework conditions for their business activities will be more regulated by law.
- Customer access service providers will remain very important and enable orders. A very large number of niche vendors will be found there. Personal opinions and recommendations will continue to gain in importance. Too much commercialisation of content could undermine trust.
- Cross-channel business concepts are the backbone of strong, in-store retailers. Mid-market retail with a supply based primarily on standard products is losing. Small retail businesses with diverse profiles will continue to exist. In stationary retail, complementary income will play an important role alongside the trade margin.
- With individual, purely online vendors, some large companies will benefit disproportionately from market growth, but the vast majority will not.
- In the food and supermarket segment, several e-commerce concepts with different offering concepts will have established themselves in addition to the diverse stationary operating modes. Study participants expect e-commerce to have a market share of between 5% and 10% by 2030.
- Overall, e-commerce with direct-selling manufacturers and brands as well as online marketplaces as drivers will develop differently, but significantly above average, depending on the industry (Fig. 31).

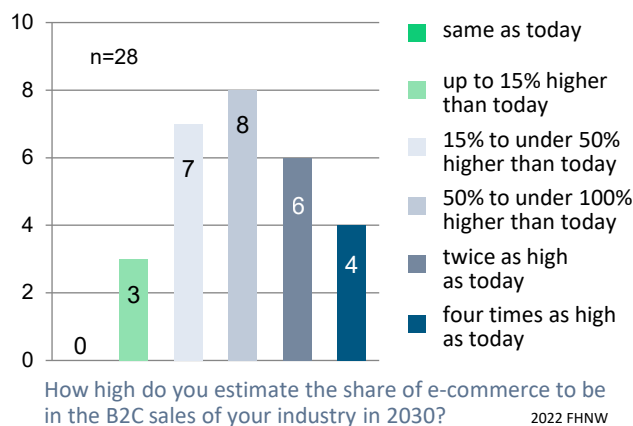
By 2030, I estimate the online share of food will be around 5%. I do not believe in further growth like at the time of the pandemic.

Philippe Huwylar, coop.ch

By 2030, e-commerce in the supermarket segment could reach 10%.

Jérôme Meyer, ALDI SUISSE

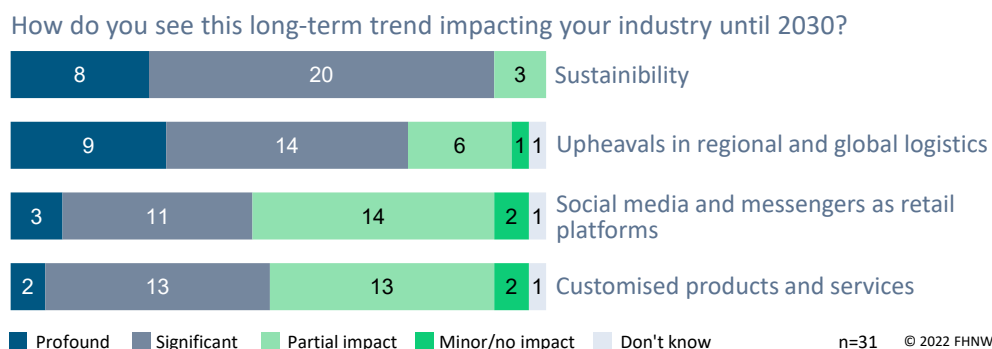
Fig. 31: Continued growth in e-commerce market share by 2030



8.2 Impact of long-term trends on the industry

The focus issue of the 2021 study [53] provided an overview of current and expected trends that could shape the coming era and be part of future upheavals. This year, respondents were asked how they see the impact of these trends on their industry (Fig. 32).

Fig. 32: Impact of four long-term trends on consumer goods industries by 2030



I believe that climate change will occupy us much more than we can currently imagine in the next ten years.

Friederike von Waldenfels, Swiss Commerce

Trying on clothes virtually will have a profound impact on the industry.

Beat Grüning, Tally Weijl

What does the "old analogue me" do when the "new virtual me" has a better life?

From the GDI/KPMG study [56]

The study participants expect the greatest impact from the trend towards *sustainability* (Chap. 1.5). *Upheavals in regional and global logistics* surveyed attribute profound or significant effects on their industry to upheavals in regional and global logistics. The massive disruptions in global supply chains also contributed to this.

Although *social media and messenger as trading platforms* are confirmed by many as a trend, the effects are predominantly classified as partial or significant. The same applies to *customised products and services*.

For topics such as *digital augmented reality, delegated commerce/Internet of Things/digital assistants, conversational commerce/voice, and demand-driven locally produced products*, only a third of or fewer respondents expect significant or profound impacts on their industry.

If you want to look further into the future than 2030, reading the future study published at the beginning of 2019 by the Gottlieb Duttweiler Institute GDI and KPMG entitled «**Das Ende des Konsums: Wenn Daten den Handel überflüssig machen**» [The end of consumption: when data makes retail obsolete] is recommended [54]. This study tries to look 30 years into the future, i.e. to around 2050. In doing so, it makes interesting statements on topics that already concern us today, such as «Those who deliver faster to where I feel my need at the moment – in consequence: in real time – will win». [55]. However, most topics and thesis still seem futuristic to us today, including the dematerialisation of consumption with completely synthetic consumer experiences via a wireless brain-computer interface.

9 Study design

The E-Commerce Report Switzerland is a **scientific series of studies** with the aim of recording and analysing sales to consumers in Switzerland over several years under the influence of digitalisation. Starting in 2020, the titles of the study editions have simply been called Commerce Report Switzerland. The change in title takes into account the fact that in the meantime, the entire world of commerce must be regarded as networked. The study series is empirical, primarily exploratory and cross-industry. This study report is the result of the **14th study conducted** in spring 2022.

Research approach

An **interpretative** research approach is suitable for investigating qualitative changes and developments in business and management contexts [57]. Qualitative changes are usually not measurable and often not directly observable. It therefore seems appropriate to gather knowledge about the real conditions and developments on the basis of **expert interviews**. It should be noted that the specialist knowledge of the experts is also based on experience and expectations and is therefore already subject to the subjective interpretation of the experts in their respective context. Therefore, the statements of several experts cannot be directly compared with each other. An interpretative analysis is necessary in which the expert statements are correctly understood and classified taking into account the respective context [58]. They can then be brought together and compared with each other to make statements about the changes to be analysed and, if necessary, to draw further conclusions.

Selection of study participants

The selection of suitable experts for the annual data collection follows content-related and operational aspects. The respondents are **persons responsible for the conception and interaction of sales channels**, as a rule members of the management, of vendors potentially shaping the market in Switzerland to private end consumers (B2C). As in the previous year, the study focused on the consumer goods sector in 2022. In this industry, participants play an expert role and are actively involved in the value creation processes. With this view, they can make statements about current trends and developments in Swiss retail, in their commodity segment and about the special features of particular vendors, e.g. as a vendor primarily focused on the stationary sector or online. The study series therefore differs from studies based on a survey of consumers.

In this study, companies that are headquartered in Switzerland or have a branch in Switzerland and provide a significant part of the value creation for the Swiss market in Switzerland are classified as **Swiss** companies. In Switzerland, potentially market-defining vendors from abroad can be considered for participation if their representatives have already been closely involved with the Swiss market for a long time and are willing to engage in an open discussion.

Companies that can significantly influence the development of distribution to private end consumers in their sector are referred to as **market-defining vendors**. This is the case for the following three groups of companies:

- Industry-defining companies (in terms of size and awareness/brand): they have multiple sales channels and are substantially involved in e-commerce.
- E-commerce leaders: they are characterised by a long track record spanning several years, especially in e-commerce in their sector.
- Innovators: they have attracted attention with their own innovations or, as early adopters, are introducing new business models developed abroad to Switzerland.

32 companies participated in the study in 2022; they are listed in Tab. 1 on page VII. 18 of them are primarily stationary, 12 are primarily different types of online B2C vendors. In addition, a B2B vendor who is familiar with retail developments as a wholesaler and the representative of a global social media company that is on the way to setting up its own trading system were surveyed. In addition, two tour operators with a multi-channel structure contribute their views on the development of sales to consumers.

The representatives of these companies form the study panel. The questionnaire was worked through with them. In a few interviews, not all questions could be dealt with due to lack of time. The evaluations of structured questions are based exclusively on answers from this study panel.

Collecting data

Due to the exploratory objective of the study, the data is collected with the help of a primarily qualitative survey. For this purpose, the panel members are interviewed personally by the authors of the study. The survey is designed as a structured **expert discussion**, which enables a constructive and in-depth discussion of the topics [59]. In individual cases, repeated surveys are carried out in writing, but only for study participants who have already got to know the study authors so well in previous years that the basic facts and correlations are known. There were no written surveys in 2022.

To ensure a consistent survey, a structured **questionnaire** is created every year. Since the 2011 survey, open questions have been supplemented with closed questions. In this way, a **confirmatory** component is added to the primarily **exploratory** research approach. The advantage of this approach is that the respondents can initially answer the open question uninfluenced and in their own words, but the closed questions can be used to include answers to uniform statements. To support the interview process, the questionnaire is sometimes provided with individually prepared information, which is reviewed in the interview. The individual aspects relate to the particularities of the industry or the company surveyed.

The structure of the **questionnaire** for 2022 is largely the same as in previous years for the topics that have been dealt with repeatedly. In addition, content-related questions or question blocks are included for the first time or for a one-off survey for current reasons. In the 2022 survey, the focus was on deepening the results from the previous year. The interpretation of the trends in 2020, which was an exceptional year as a result of the COVID-19 pandemic, contained in the 2021 study report should be reviewed with the participants, understanding honed and the consequences for the subsequent period assessed. This procedure for the structure of the questionnaire allows comparisons to be made between the years and changes to be identified, while at the same time dealing with changing thematic focal points. Changes to annually repeated questions are handled with caution. If they are made, it is to make the question more precise, to adapt it to changed circumstances or to streamline the interviews.

The study participants will receive the detailed questionnaire at the beginning of the interview. A few days before, they will simply be informed about the topics. Written surveys will be conducted by means of a questionnaire, which the study participants will complete on a computer. The questionnaire for the written survey is largely identical to that of the interviews.

In 2022, 31 of 32 vendors had been surveyed in previous years. One new company was added to the study panel. Three companies have participated since the start of the study series in 2009. The change of vendor occurred after a previous study participant had left their company and the search for a replacement with a comparable skills profile entailed a change of vendor.

The design of the questionnaire is mainly based on the study concept. In the case of quantitative questions, the focus is on online channels because their development most clearly reflects the structural change in distribution.

The question of the **company's sales performance** can be answered with absolute figures or index values. An Excel file template is provided to the participants for the uniform determination of the index values.

Questions about the importance of e-commerce in the company and expectations for the future of e-commerce in the company were answered differently by the participants. The differentiator is whether the company is purely an e-commerce vendor or a multi-channel vendor. Companies that maintain other channels in addition to e-commerce are also asked about aspects that are not relevant for pure e-commerce vendors.

The study considers a company to be a pure e-commerce vendor if 90% or more of its revenue is generated via e-commerce.

In order to create suitable framework conditions for the openness of the experts, the individual statements remain **confidential**. These are summarised in the study report in such a way that no conclusions can be drawn about the individual company. Excluded from this is information that is observable or has already become publicly known elsewhere, as well as quotes and text passages that have been approved by the experts.

The **interviews** last between one and a half and two hours. The calls are recorded and saved as audio files. The closed questions are answered by ticking on the questionnaire.

A total of 30 interviews were conducted between 12 January 2022 and 14 April 2022, and one further one in May 2022. One interview covered two participating vendors as they are headed by the same person. At the request of the participants, 19 interviews were conducted as video interviews. The participation rate in 2022 was 91%.

Evaluation and presentation of the analysis results

Microsoft Excel has been used to process the collected data and a Microsoft Access database has been developed in-house since 2014. As a first step, after completing an interview, the answers to the closed questions are recorded in Excel and then imported into the database. As a second step, the answers to the open questions are recorded directly in the database.

The written documentation of the interviews is carried out by listening to the audio recordings and making a **summary transcript** [60]. The transcription is based on previously formulated rules to ensure a uniform procedure [61]. The rules describe, for example, what is particularly important to pay attention to, what may be omitted, where to paraphrase and generalise, and when which interpretations can or must flow in. Transcription takes place on a question-by-question basis and thus follows the interview process. All transcriptions are in German, even if the interview was conducted in English.

A recorded statement is first **saved** in the database with the question to which it relates. The answer to a question may contain several statements. Once all statements on a question have been recorded, they are **assigned** to the question or topic to which they match in terms of content in a further step. This is because the interviews often include explanations that contribute to other questions. This allocation facilitates the subsequent analysis as all statements can be retrieved from the database based on the question.

The level of detail of the answers, the range of statements and the confidentiality of the individual statements necessitate an **interpretative consolidation**. Interpretation is based on the expert knowledge of the study authors. Both study authors have more than 15 years of research and publication experience in the field of e-business.

The evaluation also includes results from other studies, publicly available documents, ongoing observations on market trends and statistical secondary data, for example from the Federal Office of Statistics (BFS) or the Society for Consumer Research (GfK). If necessary, data from other countries is also taken into account.

The **study report** summarises the condensed answers. The explanations are therefore always based on selection and interpretation. Where conclusions are drawn from the observations, an attempt is made to make this clear in the text through appropriate formulations. The range of aspects that have been repeatedly presented in the interviews is mapped as far as possible, at least if they include a gain in knowledge compared with previous study implementations. However, repetitions of sufficiently well-known, numerous individual statements and a lot of company or industry-related information cannot be included in the study report.

The study results are presented and discussed for the first time at the **panel event** held for each issue in a closed circle of study participants. A few days later, the study report is published publicly. In 2022, it will be **published** on 22 September 2022. All reports from the study series are available for download from the website www.commerce-report.ch.

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Comments and sources

- 1 A group of intellectuals published the Cluetrain Manifesto in 1999. This is a collection of 95 articles describing how the Internet is changing the relationship between providers and consumers. At the heart of this is the end of communication in only one direction and the vision of replacing the power differential between providers and customers with equal relationships. The first of the 95 articles is entitled "Markets are conversations": The cluetrain manifesto, available at www.cluetrain.com.
- 2 GfK Switzerland, HANDELSVERBAND.swiss, Die Schweizerische Post: Onlinehandelsmarkt Schweiz 2021, Präsentation zur Pressemitteilung vom 9.3.2022. Retrieved on 10.3.2022 from https://handelsverband.swiss/wp-content/uploads/2022/03/2022_Online-und-Versandhandelsmarkt-Schweiz_09.03.2022-Version-Mitglieder-1.pdf.
- 3 The monthly updated indices can be found here: <https://www.bfs.admin.ch/bfs/de/home/statistiken/industrie-dienstleistungen/produktion-auftraege-umsatz/tertiaerer-sektor.html>.
- 4 Due to a fundamental revision of retail sales statistics by the Bundesamt für Statistik (BFS) in 2021 with retroactive correction of retail sales, this year's figures are not comparable with those reported in previous publications.
- 5 These results from the Bundesamt für Statistik (BFS) differ considerably from the findings of the GfK Markt Monitor Schweiz.
- 6 See [2], pg. 13.
- 7 The situation and assessments a few months after the first lockdown were described in the Commerce Report Schweiz 2020.
- 8 See [2], pg. 17.
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