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Brick And Mortar

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What is Brick And Mortar

Brick and mortar refers to a traditional street-side business that deals with its customers face-to-face in an office or store that the business owns or rents. The local grocery store and the corner bank are examples of brick-and-mortar companies. Brick-and-mortar businesses can find it difficult to compete with mostly web-based businesses like Amazon.com Inc. ([AMZN](#)) because the latter usually have lower [operating costs](#) and greater flexibility.

BREAKING DOWN Brick And Mortar

Brick-and-mortar businesses have several distinct advantages over their online counterparts. Many consumers still prefer to liaise with people directly as they believe questions about products or services can be dealt with in a more comprehensive and immediate manner in a face-to-face setting. Brick-and-mortar businesses allow consumers to hold, try and touch items before they contemplate making a purchase — indeed 73% of consumers prefer to try before they buy, according to the International Council of Shopping Centers. Consumers often associate legitimacy with a brick-and-mortar business as a physical presence can foster a perception of trust.



Brick-and-mortar businesses provide consumers with instant gratification when a purchase is made. As a result, consumers typically spend more than they intend to at brick-and-mortar stores. The number of weekly brick-and-mortar shoppers has increased in each of the past three years, from 40% in 2015 to 44% in 2018, according to PricewaterhouseCoopers' Global Consumer Insights Survey. The report attributed the rise in physical store shopping to an increased consumer desire for a more sensory and social shopping experience.

There are, however, several key disadvantages to operating a traditional brick-and-mortar business. A physical presence requires the need for employees to conduct transactions, renting or leasing expenses and utility charges such as electricity, gas and water.

Measuring the Performance of Brick and Mortars

On a per-store basis, publicly traded retailers typically report [same-store sales](#), or [comparable-store sales](#), in their quarterly and annual SEC-regulated earnings reports. These financial metrics provide a performance comparison for the established stores of a retail chain over a specified period of time. Brick and mortars spanning various industries, including restaurants, grocery stores and general merchandise stores, use these figures to evaluate performance and inform corporate decision-making regarding store-level decisions and potential closures or regional expansions.

On a macroeconomic level, the U.S. [Census Bureau](#) releases [retail sales](#) figures on a monthly basis and e-commerce retail sales figures on a quarterly basis. In January 2018, retail & food services sales totaled \$492.3 billion on an adjusted basis (for seasonality). Of this total, \$437.2 billion exempted non-store retailing, which as the name suggests, is retailing that



equaled \$424.1 billion in 2016, for year-over-year growth in the metric of about 3%.

Future of Brick-and-Mortar Businesses

The rise of electronic commerce ([e-commerce](#)) and online businesses has led many commentators to contemplate the future of the humble brick-and-mortar business. It is increasingly common for brick-and-mortar businesses to also have an online presence in an attempt to reap the benefits of each particular business model. For example, some brick-and-mortar grocery stores, such as Safeway, allow customers to shop for groceries online and have them delivered to their doorstep in as little as a few hours. The increasing prevalence of these hybrid business models has spawned offshoot terms such as "[click and mortars](#)" and "bricks and clicks."

Despite fairly sustained growth in the broader brick-and-mortar landscape, many traditional retailers, including Sears, Kmart, JCPenney, Macy's, Teavana and True Religion, have announced since 2017 that they're shuttering dozens or hundreds of store locations due to slowing traffic and decreased sales. However, the importance of the bricks-and-mortar model is given credence by several large online e-commerce companies opening physical locations to realize the advantages of traditional retail. For example, Amazon.com Inc. has opened brick-and-mortar stores to help market its products and strengthen customer relations. Aside from opening a cashier-less grocery store in Seattle and dozens of bookstores nationwide, Amazon also acquired grocer Whole Foods in 2017 for \$13.7 billion — a move that many analysts said highlighted Amazon's urgent desire to strengthen its physical retail presence.

That said, some business types, such as those that operate in the service industry, are more appropriately suited to brick-and-mortar form, such as hair salons, veterinarians, gas stations, auto repair shops, restaurants and accounting firms. It is crucial that [marketing strategies](#) for brick-and-mortar businesses highlight the advantages a consumer has when purchasing at a physical store.

Related Terms

Future Value - FV

Future value (FV) is the value of a current asset at a date to come based on an assumed rate of growth over time. [more](#)

Four Asian Tigers

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