YOUR GOAL IS TO MEET CUSTOMER DEMAND AND STAY AHEAD OF THE COMPETITION, BUT GETTING THERE REQUIRES DEPLOYING A GROWING LIST OF OMNICHANNEL SERVICES, STARTING WITH IN-STORE PICKUP.

Picking up online purchases in stores is a win-win strategy for retailers and shoppers alike. For shoppers, it’s an essential convenience. They do not have to wait to receive orders by mail or pay high shipping costs. They can pick up their purchases at stores of their choosing and do it on their own schedule. Some enjoy the security of knowing they can return the product on the spot if it doesn’t suit their needs.

For brick-and-mortar retailers, offering in-store pick up of online purchases is a significant competitive advantage over pure-play online retailers because it offers a differentiated level of convenience that cannot be matched by e-tailers such as Amazon. Beyond the better experience and added convenience, retailers who have been early adopters are realizing surprising benefits such as larger basket sizes and higher conversion rates. Some leaders in this space include: Nordstrom, Apple, Home Depot, The Container Store, Gap, Toys ‘R Us and Walmart.
With so many well-known brands offering in-store pick up, shoppers are using it in growing numbers. Forrester’s Technographics data shows that “buy online, pick up in-store” has grown to 43% of U.S. online adult shoppers. As this number rises – it has grown 30% year over year – pickup in-store of online purchases will become a deciding factor that influences whether or not a customer completes a purchase.

This finding was made clear in an in-depth study of 2,500 shoppers done by Cognizant and RIS News. The report, titled “2013 Shopper Experience Study: Rise of the Individual Shopper,” found that buy online, pickup in-store was a decisive influence on the shopper’s path to purchase, notably in the area of helping avoid high shipping costs. When asked to name the top “dislike” for making online purchases shoppers gave high delivery cost the highest rating on the list (4.5 out of a maximum of five). Concern about delivery cost also topped the list of top “liked” influences on purchase decisions (also 4.5 out of a maximum of five). This finding indicates that shoppers “like” low delivery costs.

Despite the apparent benefits to shoppers and merchants alike, many retailers have been slow to introduce the buy online and pickup in-store option because it requires a discreet suite of capabilities that can be costly to implement and manage on an ongoing basis. For starters, it needs to be supported by a variety of capabilities, beginning with the Web or mobile storefront and continuing through the pickup process. At every stage, there are different business and IT teams involved, and different systems and business processes impacted.

In addition, many of the decisions retailers need to make are relatively complex. For example, retailers need to define from where they will fulfill the merchandise selected by the customer:

1. Pick up merchandise from store shelves or back rooms
2. Ship merchandise from distribution centers to stores, which will need to be executed on an accelerated timeline to ensure customer satisfaction
3. Ship merchandise from one store to another, which will also need to be done on an accelerated timeline
4. Ship merchandise from drop-ship vendors to stores

Each of these options has pros and cons that impact the customer experience and the cost of fulfilling the order.

Another important decision retailers must make is which products to make available for online order, pickup in store. A cost-based analysis of products needs to be done to determine which products will be profitable in this model.
There are dozens of similar decisions that need to be made in order to weigh the costs and benefits of enabling purchase online and pickup in-store. While providing this option is important from a customer satisfaction perspective, doing so at the lowest possible cost to the retailer is critical to business performance.

Once a retailer makes the decision to move forward with providing purchase online and pickup in-store, core applications need to be upgraded and new business policies and processes need to be built including: order capture, order management, inventory management, customer communications, and store operations. If done properly these upgrades should create a new foundation that will not only support the new in-store pickup service, but also enable additional omnichannel services in the future.

In-store pickup of online orders is just the tip of an omnichannel iceberg that grows larger every year. As shoppers of all ages and demographic segments adopt digital technologies, demand better customer service, and expect more personalization it is imperative that retailers meet their expectations or risk losing business to competitors who are moving faster and providing more relevant customer experiences. Retailers must weigh the costs and benefits of implementing foundational capabilities, such as those that enable flexible fulfillment, over the array of other opportunities in the omnichannel space.

According to the 2013 RIS/EKN Cross-Channel Trends Study, retailers said multi-channel shoppers are 21% more profitable than those who only shop in a single channel. Savvy retailers will look for opportunities to engage their customers across multiple channels in an effort to increase profitability. Providing a capability that allows customers to bridge the divide between the online and physical worlds is the easiest path for retailers to add new multi-channel customers. Additionally, having the ability to connect customer data across channels will increase insight into customer behavior and preferences that can help make merchandising, marketing and store operations more efficient and relevant to shoppers.

In-store pickup of online orders is only one step in what is a multi-year, multi-step journey; but it’s an essential step as it drives traffic to stores where retailers have the opportunity to create personalized experiences.

WHY IN-STORE PICK-UP IS THE TIP OF THE OMNICHANNEL ICEBERG

SERVING THE MOST PROFITABLE CUSTOMERS

TIP OF THE OMNICHANNEL ICEBERG

While in-store pick-up of online orders is a great place to begin an omnichannel journey, several of the faster moving major retailers – Walmart, Macy’s, Saks and The Gap – have begun expanding their omnichannel platforms to enable advanced “ship from store” capabilities to fulfill online orders. The theory is that shipping goods from stores will speed
up delivery of customer orders and save money by using shorter delivery routes versus routes from centralized warehouses. It can also help retailers move out over-stocked merchandise at full price in under-performing stores, avoiding potential markdowns.

Walmart recently doubled the number of stores it uses for fulfilling orders, and there’s still more of the omnichannel iceberg emerging for Walmart. It has plans to test the use of lockers to hold online orders for customer pick-up, and to combine stores, distribution centers and new facilities into what it calls a “next generation fulfillment network,” according to Joel Anderson president and CEO of Walmart.com U.S.

Amazon has consistently been a leader in finding inventive ways to add convenience to its fulfillment systems, for example, by adding lockers at 7-Eleven, Rite-Aid and other retail locations where online shoppers can pick up or return items. It is also constantly looking for ways to increase speed of delivery, such as partnering with the U.S. Postal Service during the 2013 holiday season to support Sunday deliveries. Similarly, eBay and Google have both launched online shopping experiences that promise delivery of purchases in select markets in about an hour or the same day.

SOLVING THE COMPLEXITY
Building a proper foundation to enable in-store pickup plus the rest of the omnichannel iceberg requires retailers to revamp a number of key technologies, processes and policies. It is a tall order with a steep price tag; however, failure to do so comes with an equally steep price tag. The RIS “Omnichannel Readiness” research report found that 6.5% of revenues are lost due to a lack of omnichannel readiness. And, we predict that number will grow as customer expectations continue to shift and competitors continue to innovate.

There are a number of key elements that retailers need to proactively meet these challenges, such as:

1. **Order Capture** — What products are eligible, at what store(s) can they be picked up, and what’s the SLA?
2. **Inventory** — Where is the best source of inventory for a particular order and how does that change for an order with multiple items vs. one item or based on the customer’s lead time?
3. **Order Management** — How should the order be managed across channels and exceptions handled? How should delivery fees be calculated? What SLAs should be promised to customers?
4. **Customer Communication** — What will be communicated to the customer, when, and through which channels? What will be automated based on event triggers versus manually generated?
5. **Store Associate Enablement** — What tools (software and devices) do stores need to manage the pick and pack processes including workflow management, SLA management, exception handling, returns processing, POS integration (e.g. payment, add-on sales).
6. **In-Store Logistics** — Where will orders be stored, does store infrastructure need to be upgraded, what are security procedures, and what additional allocation of payroll needs to be provided?

7. **Merchandise planning** — How do assortments and allocations need to adjust to ensure the right products are available at the right places at the right times at the lowest cost to the retailer?

Now is the time for retailers to invest in building the foundation to enable the right customer experiences for both today and tomorrow. This space is ripe for innovation as customers’ expectations are still pliable and solutions are still being developed. Few retailers are doing it well today and many aren’t doing it at all.

To deliver a seamless cross-channel experience not only requires retailers to upgrade their back-end systems to create a unified omnichannel platform, but it also requires developing a plan to extend the transformation through every stage of the shopping journey. This means transformation of every potential customer touch point including all stores, store associates, contact centers, Websites, and mobile channels.

In addition to the direct benefits realized from deploying order online and pickup in-store, building the right platform also lays the foundation for extended benefits. For example, when shoppers visit stores to pick up their purchases, retailers have an opportunity to create more personalized in-store experiences, high-value customers can be greeted by name by the store manager, and recommendations can be made for adding a related product based on purchase history. According to the 2013 Shopper Experience Study by Cognizant and RIS News, the highest rated in-store service selected by shoppers was personalized experiences (scoring 3.8 out of a maximum of five).

In-store pickup of online orders is just one step in building a successful omnichannel business model, but it is an important one because it serves as a gateway that leads to additional services and functions. The future of retail is in serving omnichannel shoppers who want what they want when they want it. Retailers who take steps to transform their business model today will be able to delight and satisfy their customers in the future.
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ABOUT COGNIZANT’S OMNICHANNEL PRACTICE
Cognizant’s Omnichannel Practice partners with organizations to discern how to leverage leading technologies to stay focused on customers rather than channels. The omnichannel business model we advocate emphasizes a seamless customer experience across all touchpoints, grounded in the right policies and processes, and enabled by the right technologies and people. We offer a full range of Omnichannel services, including Strategy and Roadmapping, Cross-Channel Integration, eCommerce Replatforming, Digital Commerce Optimization, Mobile, International Commerce, Digital Marketing, Loyalty and CRM, and Agile Delivery.

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Cognizant (NASDAQ: CTSH) is a leading provider of information technology, consulting, and business process out sourcing services, dedicated to helping the world’s leading companies build stronger businesses. Headquartered in Teaneck, New Jersey (U.S.), Cognizant combines a passion for client satisfaction, technology innovation, deep industry and business process expertise, and a global, collaborative workforce that embodies the future of work. With over 50 delivery centers worldwide and approximately 166,400 employees as of September 30, 2013, Cognizant is a member of the NASDAQ-100, the S&P 500, the Forbes Global 2000, and the Fortune 500 and is ranked among the top performing and fastest growing companies in the world. Visit us online at www.cognizant.com or follow us on Twitter: Cognizant.

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