There is abundant evidence that the shopper preference for buying online and picking up in a store has become part of mainstream retailing. It is a logical extension of a digital mentality that has been embraced by all segments of shoppers who now use personal technology in every aspect of their lives.

43% of adult online shoppers buy online and pickup in stores.


Retailers are racing to catch up with the consumer’s desire for instant gratification. Why wait for shipping when you can drive to the store and possess it today? According to Forrester’s Technographics data, “buy online, pick-up in-store” is a practice adopted by 43% of U.S. online adult shoppers.

Offering buy online pickup in-store clearly enables retailers to provide a service that shoppers want, but it is especially important because it is a key step on the journey to achieve omnichannel transformation. With 44% of shoppers citing omnichannel factors as driving their likelihood to shop with a retailer, according to a 2013 UPS/ComScore study, there is plenty of motivation for retailers to move toward the goal of achieving an omnichannel transformation.

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Source: 2013 UPS/ComScore study of 3,000 U.S. shoppers.
In the omnichannel world retailers need to offer buy online pick up in store, but that is not where the transformation ends. The goal is to deliver seamless, synchronized experiences to shoppers across all physical and digital channels. These services include: product selection, order management, pricing and promotions, returns handling, customer service, and more.

Fast-moving retailers have recognized the value of serving digitally-savvy shoppers with omnichannel capabilities. Leaders in this fast-moving omnichannel group are Nordstrom and Apple, which tied for first place in the 2013 RIS News report “Omnichannel Readiness.” They were followed by Macy’s, Walmart and Target. Retailers who don’t want to concede a growing segment of shoppers to these fast-moving competitors are racing to catch up.

**Omnichannel Factors that Increase the Likelihood of Shopping with a Retailer**

- **62%** Ability to buy online and then make returns at the store
- **47%** Push coupon/promotion to smartphone when I’m in a store or close by
- **44%** Ability to buy online and pickup in store
- **41%** Availability of an application designed for a tablet
- **40%** Option to conduct one-click checkout online
- **37%** Ability to complete a purchase in store using mobile device
- **36%** Availability of a mobile application for a smartphone

*Source: 2013 UPS/ComScore Study of 3,000 U.S. Shoppers*
Although convenience is a major influencer on customer purchase decisions, shoppers are also looking for value as evidenced by their strong dislike of high delivery costs. High cost of delivery was found to be the most “disliked” aspect of making online purchases in a comprehensive survey of 2,500 shoppers. It had a 4.5 rating on a scale where five represents the maximum “dislike,” as reported in the Cognizant/RIS News “2013 Shopper Experience Study.” While shoppers are willing to pay a reasonable fee, their preference is free shipping and many retailers are offering it to them. For the 2013 holiday season, the National Retail Federation tracked more than 40 retailers that offered free shipping of online purchases.

When meeting customer demands retailers need to address the issue of shipping costs as a significant factor in online purchases. One smart way to do this is by offering buy online pick up in store, which increases shopper trip frequency to stores, contributes to higher baskets through add on sales, and improves customer satisfaction to nurture loyalty.

Clearly retailers are rolling out buy online and pick up in store as a way to stay relevant with shoppers who not only dislike shipping fees but in many cases prefer shopping in stores for key products. It is worth noting that the in-store shopping experience remains three times as popular as e-commerce when it comes to purchasing consumable products – 75% prefer in-store shopping and 25% favor online, according to the “2013 Shopper Experience Study” published by Cognizant and RIS News. The ratio drops to a virtual tie when shoppers look to purchase specialty products — 53% prefer stores and 47% prefer e-commerce.

Three times as many shoppers for consumable products prefer shopping in stores [75%] compared to shopping online.
Part of the reason for the differential has to do with the nature of consumable products, which are often necessity purchases or intended for immediate consumption. However, Amazon and others are rolling out fast fulfillment services and subscription models that are intended to overcome the traditional barriers for purchasing consumable products. No retail segment is immune to the forces that are driving the omnichannel marketplace.

The upside of implementing omnichannel services and functions is that the omnichannel shopper is 21% more profitable than a single-channel shopper, according to the 2013 RIS/EKN Cross-Channel Trends Study. Serving these high-value shoppers with omnichannel services is a smart way to earn and maintain loyalty to your brand.

No doubt the implementation of omnichannel services like order online and pickup in-store will add cost to current retail budgets, but there is also a cost for not adding them. A survey of retailers conducted by RIS News & EKN for its 2013 Cross-Channel Study found that 4.5% of revenue is lost due to unsynchronized processes, technologies and corporate structures that cannot support omnichannel services and functions. This means that a billion-dollar retailer stands to leave $45 million dollars on the table if it fails to invest adequately in omnichannel strategies.
Retailers are beginning to take note of these opportunities lost and are beginning to ramp up their IT plans to support omnichannel initiatives. By 2016 the percentage of retail IT budgets dedicated to supporting cross-channel operations and initiatives will rise to 31% in 2016, which is up from 18% in 2013 and 15% in 2012, according to the 2013 RIS/EKN Cross-Channel Trends Study. But the question for retailers is: Why wait until 2016? The customer demand is here today and so is the technology opportunity and competitive threat. Delaying omnichannel investment until 2016 puts your organization at risk of falling behind your competition and losing business.

As retailers plan to shape their omnichannel strategies for the shopper of the future many are focusing on supply chain capabilities that will deliver clear benefits to omnichannel shoppers in a cost-effective way. When more than two out of three retailers have omnichannel inventory management capabilities in place it will be a huge disruptor and help tip the balance of power for brick-and-mortar stores to effectively compete against pure-play online retailers. However, many retailers today have inventory locked into individual channels and cannot provide omnichannel services in a scalable and efficient way. They are also not able to optimize their inventory, pricing and logistics costs.

Strategies that help converge brick-and-mortar stores with digital channels is clearly the future of retailing and retailers who choose to be leaders in omnichannel transformation will win customer loyalty and share of sales. With changes in customer expectations, technology and competitors taking place at an escalating pace, those who choose to be laggards will lose.
ABOUT THE AUTHOR
Shannon Warner is an AVP within Cognizant Business Consulting, providing digital transformation business advice to retail, consumer goods, manufacturing, travel, hospitality and utilities/energy companies seeking to provide cohesive, relevant, value-added customer experiences across bricks-and-mortar, Web, mobile, social media and call center touchpoints. Shannon’s areas of expertise include digital commerce, digital information strategy and management, customer experience management, digital marketing and loyalty, and program management. She can be reached at Shannon.Warner@cognizant.com LinkedIn: www.linkedin.com/in/shannonlwarner/.

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 touch points, 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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