HOLIDAY HEROES
HOW INTELLIGENT FULFILLMENT BOOSTS HOLIDAY PROFITS

Improved technology and training helps retailers optimize store and web inventory to reduce costs and offer greater convenience

THE HOLIDAYS ARE HECTIC, making convenience more important than ever for shoppers. Retailers are responding by offering in-store pickup and return of online orders, and using all their inventory—wherever it's located—to fulfill online orders. That means fewer online shoppers are disappointed by items not being available or not receiving the items in time.

These omnichannel services are increasingly a standard part of retailing. And, as retailers have gained experience offering these services they are getting better at combining store and distribution center inventory, along with drop-ship options, to meet the increased demand of the holiday season.

Retailers also can access increasingly intelligent omnichannel technology that makes their programs more efficient and customer friendly. By fine-tuning omnichannel strategies and making better use of technology, retailers are not only making shoppers happier, but boosting their own profit at the same time.

A prime example is Target Corp., which recently reported that it's now 30% more efficient than it was just 18 months ago in shipping online orders from stores and enabling in-store pickup of web purchases. In fact, Target says same-day delivery, including in-store pickup, is its

47%
of Internet Retailer Top 1000 retail chains offer buy online, pick up in store.

69%
of Internet Retailer Top 1000 retail chains offer in-store returns.

Source: Internet Retailer

most profitable fulfillment method for ecommerce orders, less costly than shipping through carriers that continually raise rates.
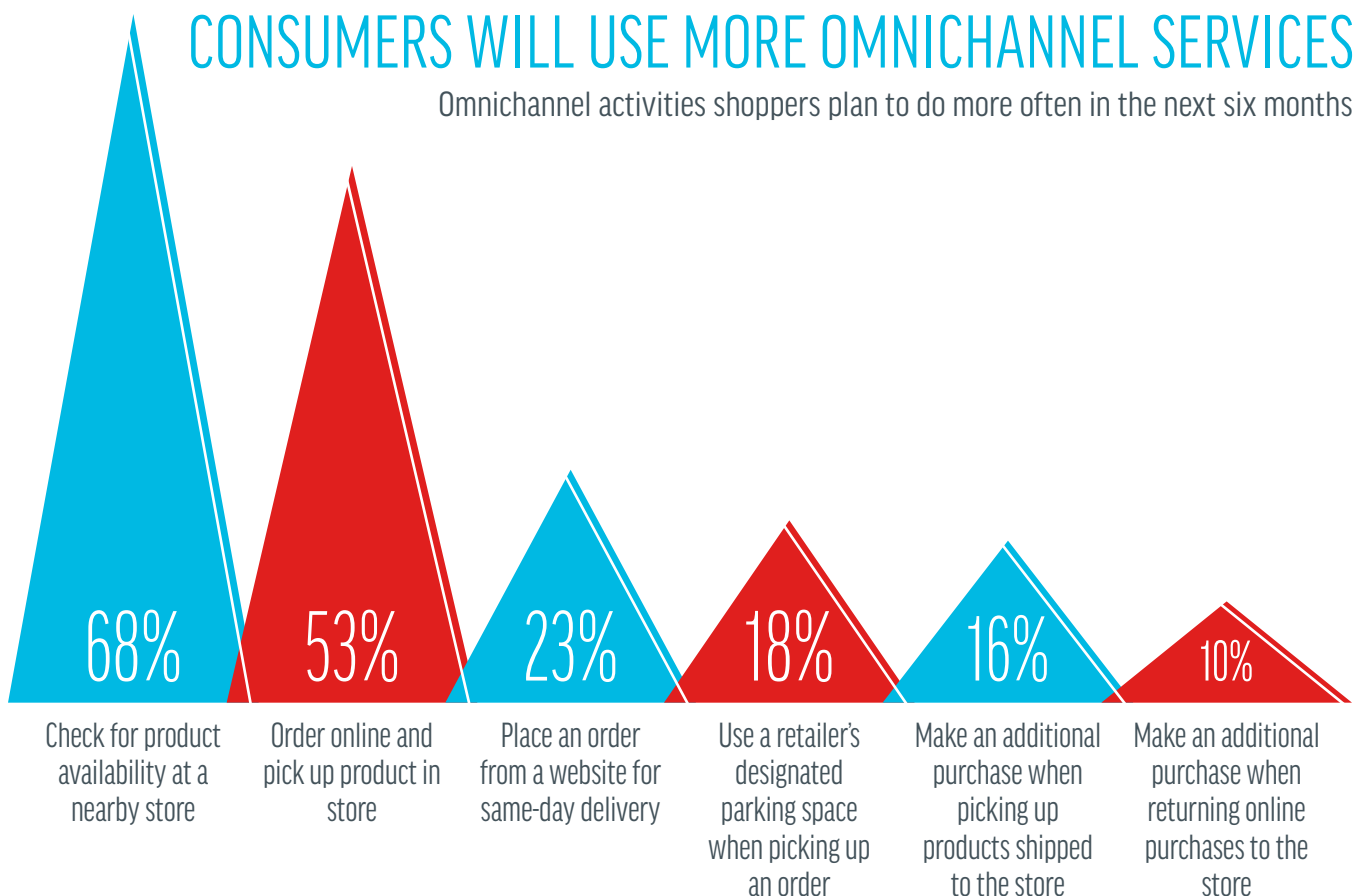
Target also now makes 95% of online orders available for pickup within one hour, a sure way to please busy holiday shoppers. And stores fulfilled three-quarters of Target's online orders last holiday season, underscoring how important omnichannel services now are for merchants.

Making omnichannel efficient—and easy for shoppers—is a big deal for all retailers, given how many consumers now routinely shop both a retailer's stores and its website when buying these days. For example, 78% of web shoppers in a recent survey said they had researched store inventory on a retailer's website and 73% had picked up an online order in a store.

SHOPPER SURVEY

CONSUMERS WILL USE MORE OMNICHANNEL SERVICES

Omnichannel activities shoppers plan to do more often in the next six months

68%	53%	23%	18%	16%	10%
Check for product availability at a nearby store	Order online and pick up product in store	Place an order from a website for same-day delivery	Use a retailer's designated parking space when picking up an order	Make an additional purchase when picking up products shipped to the store	Make an additional purchase when returning online purchases to the store

Source: Internet Retailer/Bizrate Insights survey of 1,110 online shoppers, January 2019

For retailers, it's no longer a question of whether to pursue an omnichannel strategy, but how to do omnichannel well. This paper will summarize some of the key insights that retailers have learned as they've merged their digital and physical assets into a single offering for shoppers, and how they're using technology to optimize the process and meet their omnichannel goals.

If there is a single takeaway it would be this: It takes technology, processes and well-trained employees to make omnichannel work.

A COMPLETE VIEW OF INVENTORY

A central challenge for retailers in the age of online shopping has been how to make optimal use of all available inventory. That includes having a handle on inventory in stores, in distribution centers and available for drop-shipping to consumers from product suppliers.

When online shopping began to take off, many retailers dedicated certain warehouses to fulfilling online orders. If an item wasn't in an ecommerce distribution center, they would reject an online order, even if the SKU was available in one of the retailer's stores.

Many retailers still are working to get a unified view of all the inventory at their disposal so that they can accept as many ecommerce orders as possible. Retailers that do that can increase their sales significantly. Outdoor gear retailer REI Corp. is an example.

> Retailers with a unified view of all inventory at their disposal can increase sales significantly.

Until recently, when a customer placed an order online for in-store pickup REI would ship the product from an ecommerce distribution center to the store, and then notify the customer when the item arrived a couple of days later that it was available for pickup.

Not only did that mean the shopper couldn't get the product right away, it also meant that REI.com was turning down orders even when the product was available in a store near the consumer. As REI's senior vice president of supply chain Rick Bingle put it, "We were saying 'No' 800,000 times a year because we weren't accessing the inventory in the stores"

Now, the retailer's order management system takes into account store inventory when processing online orders, and as a result 35% of REI.com orders are either picked up in stores or shipped from a store. In the first year after making this change, REI calculates it increased ecommerce sales by $100 million.

And those added sales weren't the only benefit. Shoppers can now pick up an online order the same day if their local store has the product they want in stock, which is especially important during the holidays when consumers absolutely must have gift items in time for holiday celebrations. Plus, by using store inventory, REI.com can accept orders one day closer to Christmas and still guarantee delivery by Christmas Eve.

SMARTER DECISIONS

Once a retailer can see all the inventory at its disposal, it can use its entire stock to fulfill online orders—including shipping products from brick-and-mortar stores to online shoppers' homes. And stores can be especially important during the holiday season.

Apparel retailer Chico's, for example, generally ships about 10% of its online orders from stores, but that goes up to 30% during the holiday season. Speaking of the period around Thanksgiving often called

"We were saying 'No' 800,000 times a year because we weren't accessing the inventory in the stores."

—RICK BINGLE,
senior vice president of supply chain, REI

10% of Chico's orders are fulfilled from stores during non-holiday periods, but **30%** during the holiday season

'We would not have hit our Cyber [Week] goals without ship from store.'
—**MARCELLA QUINTANA**, manager of omnichannel strategy and operations, Chico's

Cyber Week, Marcella Quintana, manager of omnichannel strategy and operations at Chico's says, "We would not have hit our Cyber goals without ship from store."

But ship-from-store also create new challenge for retailers like which location is best suited to fulfill each online order? It's tempting to ship the product from the location nearest to the customer to minimize shipping costs, however, that can mean taking a product off the shelf of a store that's running low on the item and disappointing in-store shoppers.

An intelligent order management system is needed to balance a retailer's goals, including maximizing sales, profits and customer satisfaction.

Advanced retailers now evaluate a variety of factors when deciding the best location to fulfill each ecommerce order. Distance from the consumer is one factor, but so is available inventory at a store and the sales velocity of the item at that location.

Thus, it may make sense to ship an order from a California store to a New York customer if that California store has excess inventory and is about to put that product on sale, especially if the item is selling briskly at stores on the East Coast.

An intelligent order management system with customizable order and routing rules can also take into account how valuable each customer

is when deciding how to handle an order. In some cases, especially around the holidays when consumers may order several items at a time, a retailer might be faced with shipping an order for three products from three separate locations. Those three shipping fees might more than wipe out any profit from the order. What should the retailer do?

An intelligent system can factor in the customer's history and decide to absorb those costs for a loyal customer with high lifetime value, while sending a note of apology to a first-time shoppers and explaining that the order can't be fulfilled. That way the retailer can protect its profit margin, while still satisfying its most valuable customers.

PEAK SALES DAYS

Another area where intelligence comes in is in deciding when to dial back use of a store to fulfill online orders. Just as an intelligent order management system can cut off fulfillment from a store that's running short of a fast-selling item, so, too, it can adjust fulfillment options to meet a retailer's goals during big sales days, such as Black Friday and Cyber Monday. Some retailers, for example, turn off ship-from-store on those two days so that store employees can focus on serving in-store shoppers.

Other retailers take a different approach. One home goods retailer offered big discounts to 2018 holiday shoppers that picked up their online orders in a store. That resulted in a 500% increase in in-store pickup during the promotional period.

Driving online shoppers to stores can be a profitable strategy for retailers, generating both short-term and long-term incremental sales. Data from Radial retailer clients show that 30% of consumers who come into a store to collect an online order buy something else—and 89% of those consumers make another order with that retailer, a sign that a well-run omnichannel program contributes to customer loyalty.

30%
of consumers buy something else when picking up an online order in-store.

89%
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EMPOWERING YOUR PEOPLE

As important as software can be in operating a successful omnichannel program, people play a crucial role as well. After all, its store associates who must handle in-store pickups and returns, and pick, pack and ship online orders being fulfilled from stores.

That can be a sore point for retailers, especially during the holiday season when they typically hire additional store associates to handle the holiday rush. That makes good technology critical for training new employees, and for making it as easy as possible for often inexperienced store associates to handle omnichannel tasks, such as picking an order for shipment to a web customer.

An intelligent picking system can show employees exactly where each item is located and suggest the best path for moving through the store to find items on a pick list.

One way to get seasonal employees up to speed quickly is to give them technology that's familiar to them. If they are picking an order for in-store pickup or shipment to the shopper's home, create an application that works like Facebook and Instagram does, with familiar functionality, such as swiping to get more information.

Retailers like Target increasingly are giving store employees batches of orders to pick at one time, rather than having them pick all the items in one order and then moving on to the next one. That way if five orders include a Harry Potter Hogwarts Lego Set, the employee can pick all five at one time, rather than making repeated trips to that location.

Plus, an intelligent picking system can show the employee exactly where each item is located and suggest the best path for moving through the store to find items on a pick list. That can cut the time required to pick online orders, ensuring orders get out to customers more quickly while also reducing overtime expenses for retailers.

SHOW, NOT TELL

Technology can also make it easier for store associates to find the items they have to pull. Marcela Quintana learned that first-hand when the retailer's omnichannel operations chief spent weeks in Chico's stores evaluating how the software the retailer was deploying would look to employees responsible for pulling online orders.

In one case, she spent 23 minutes trying to find a product described as a "multicolored T-shirt" that had been ordered online. That item turned out to be a white shirt emblazoned with the image of a colorful parrot. If she knew she was looking for a shirt with a parrot on it, Quintana says she could have found it much more quickly.

That led Chico's to upgrade its order management system to send pick lists containing images of items along with text descriptions. The images are in color, and an employee can zoom into the image to see it in greater detail.

Chico's also got smarter about how it prints shipping labels for ship-from-store labels. In the past, an employee had to go to a computer in the front of a store, type in a 24-digit order number and then collect the shipping label from a printer at the back of the store. Now, the order number is preprinted and employees carry iPads that let them work on online orders from anywhere in the store.
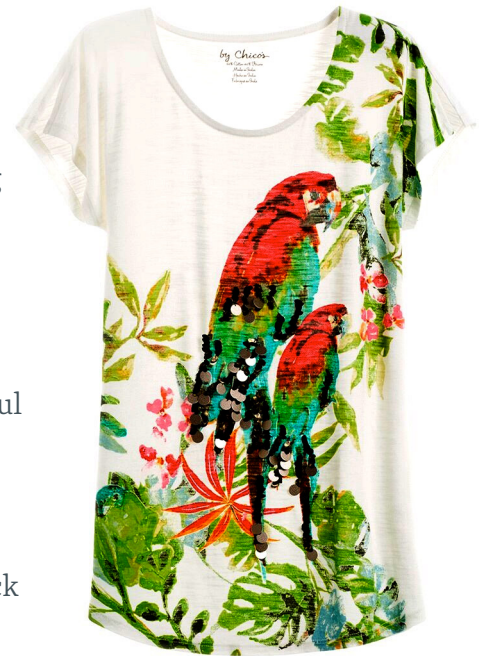
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HAPPY RETURNS

A well-run omnichannel program can also enable a retailer to make returns relatively painless for consumers. And offering in-store returns is important, given that 61% of online shoppers in a recent survey cited paying for return shipping as a major frustration.

Most retail store operators have recognized the value of accepting returns in-store, saving the consumer the cost of shipping the item back. In fact, 69% of retail chains in the Internet Retailer Top 1000

ranking of North America's leading online retailers offer in-store returns of online orders.

But while most retail chains offer that service, some are differentiating themselves with technology that makes an in-store return even easier.
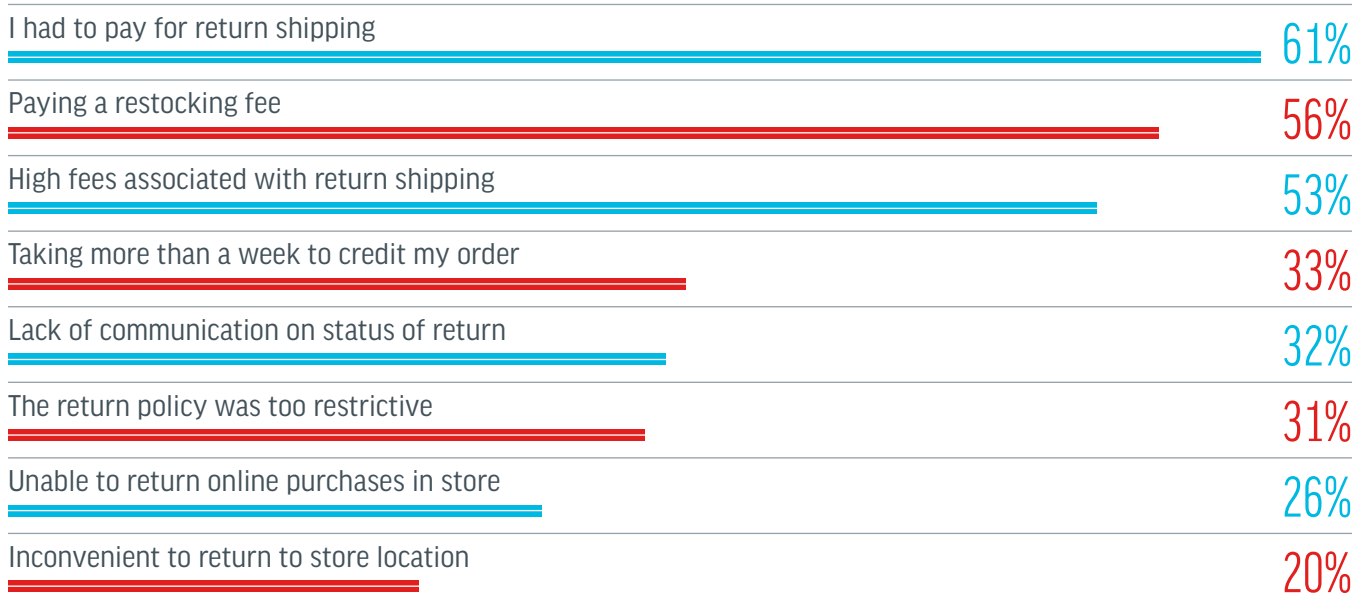
An intelligent order management system can allow a store associate to pull up an order, verify that the return window for the item has not expired, and grant a credit or authorize an exchange on the spot. With 33% of surveyed consumers complaining that it took retailers more than a week to credit a return, that kind of fast processing is part of cementing shopper loyalty.

That's just one more example of how strong technology can make omnichannel a better experience, both for the shopper and the store employees providing the service.

SHOPPER SURVEY

SHOPPERS DON'T WANT TO PAY FOR RETURN SHIPPING

What online shoppers find frustrating when returning products

I had to pay for return shipping	61%
Paying a restocking fee	56%
High fees associated with return shipping	53%
Taking more than a week to credit my order	33%
Lack of communication on status of return	32%
The return policy was too restrictive	31%
Unable to return online purchases in store	26%
Inconvenient to return to store location	20%

Source: Internet Retailer/Bizrate Insights survey of 1,110 online shoppers, January 2019

CONCLUSION
Tailor omnichannel to your holiday strategy

A few things are clear. Consumers like the convenience of picking up and returning online orders in stores. Retailers have learned a lot about providing omnichannel services. And they now have improved technology that allows them to provide those cross-channel services more efficiently than ever before.

Now it's up to each retailer to decide how omnichannel best fits into its holiday strategy.

There is no one approach that makes sense for every merchant. Some will want to drive the maximum number of consumers into stores on Cyber Weekend and make discounts on in-store pickup of online orders part of that push. Others will want to fulfill most online orders from distribution centers built for that purpose, and use stores as a backup when ecommerce warehouses run out of particular items. And there are many more variations of omnichannel strategy to choose from.

Whatever your strategy, success comes down to deploying the right technology and training your employees to use it. Retailers that make progress along that path can not only meet their holiday goals this season, but also build goodwill with customers that will contribute to a happy New Year. ●