



BOPIS=ROI:
Tech Investments in
Order Fulfillment



BOPIS=ROI: Tech Investments in Order Fulfillment Yielding Incremental Sales, Profits for Retailers

EXECUTIVE SUMMARY

In part one of this report, we examined the prevalence of BOPIS (buy online pick up in store) programs within the retail industry, the components required to get BOPIS operational, the challenges associated with the omnichannel fulfillment method, and finally potential solutions to address those challenges. What we learned is that BOPIS has gained widespread adoption among retailers (and consumers); technology is vital to a well-executed BOPIS program; and in-store operations remain the biggest hurdle for retailers in deploying BOPIS successfully.

Part two of this multipart report examines the impact BOPIS programs are having on companies' bottom lines. More specifically, NAPCO Research and Radial's survey of retail executives revealed that BOPIS is helping to improve retailers' bottom lines in several significant ways, including boosting e-commerce conversion rates, driving incremental in-store sales, and generating increased average order values for in-store customers.

In fact, BOPIS offers the best of both worlds for omnichannel retailers: one, it reduces cost from not having to ship online orders to customers' homes, saving on last-mile delivery fees and, two, it has proven to be an effective tool for driving in-store traffic, and those customers are frequently making incremental purchases.

However, hastily rolling out BOPIS without all of the necessary training, processes and technology systems in place inhibits a program's chance of success. First impressions matter, particularly in the ultracompetitive retail industry. A poor BOPIS experience severely compromises your chances of a customer coming back to shop with your brand again.

Given the financial ramifications at stake, NAPCO Research and Radial, a leader in omnichannel commerce technologies and operations, surveyed retail executives to gain a better understanding of the impact that BOPIS is having on their businesses. We wanted to know how BOPIS performance was being measured, what results they were currently seeing, and what changes they've put in place to improve the performance of their program.

Given the significant capital investments that are inherent in any new organizational initiative implemented at scale, including technology, people and training, we limited our pool of respondents to those whose company's annual revenue is \$10 million and above. Furthermore, the respondents represented companies across a wide spectrum of product verticals, from apparel and accessories, consumer electronics, grocery, home improvement, and more.



BOPIS a Small Slice of Total E-Commerce Orders, But Growing

When asked to identify what percentage of their overall e-commerce orders are BOPIS — i.e., the customer has chosen to pick up the order in-store rather than having it shipped to their home — answers were varied. The average across the entire survey population was just shy of 16 percent. However, for 46 percent of respondents, 31 percent or more of their total e-commerce orders are BOPIS.

RETAILERS' PERCENTAGE OF BOPIS ORDERS LIKELY TO RISE

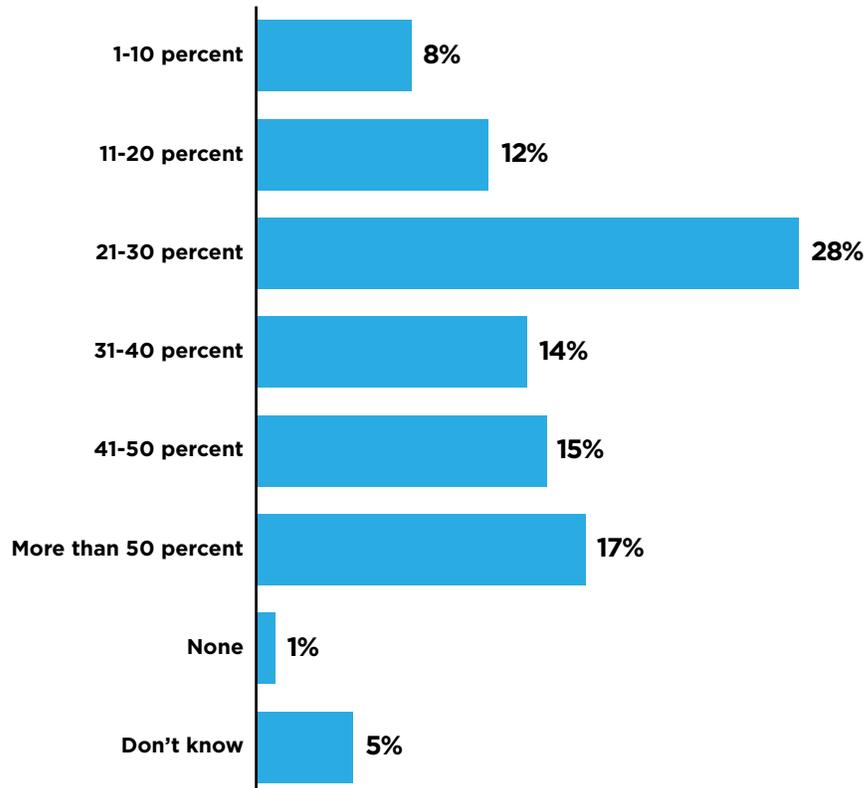


Figure 1
Q: What percentage of your overall e-commerce orders are BOPIS?
n = 138

NAPCO RESEARCH

As noted above, consumer demand for BOPIS figures to increase as more retailers offer the service, and those that already do get better at its execution. The primary drivers for consumers choosing BOPIS are twofold: one, they don't have to pay shipping costs and, two, they can have their order the same day — in most cases with pickup available within a few hours.

Consider the following statistics from [Invesp](#), which illustrate growing consumer demand for BOPIS programs:

- **67 percent** of shoppers in the U.S. have used BOPIS in the past six months;
- **75 percent** of shoppers who have used BOPIS say they are likely to make additional BOPIS purchases; and

- **50 percent** of consumers have decided where to shop online based on whether they could pick up their order in-store.

A growth in BOPIS orders would correlate with an overall increase in retailers' e-commerce sales. The convenience of such a program, and the cost savings and immediate gratification it provides, figures to drive more shoppers to make purchases online. According to our survey, retailers were attributing increases in e-commerce sales to making BOPIS an option for customers. And then once those customers arrive in-store, there's further cross-sells and upsells that can take place.

Incremental In-Store Purchases Bolster the Value of BOPIS

Retailers across verticals have been challenged by declining foot traffic at their stores as more consumers opt to shop online and via their phones. BOPIS is helping to solve that problem. By bringing customers into stores to pick up their online orders, retailers are exposing them to additional merchandise available for purchase. It's the ultimate cross-sell and upsell opportunity.

However, in order for retailers to know the impact that BOPIS is having on in-store sales, they need to be able to identify and track incremental purchases from those customers. The good news is that retailers have made great strides in this

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RETAILERS SUCCESSFULLY TRACKING IN-STORE PURCHASES FROM BOPIS CUSTOMERS

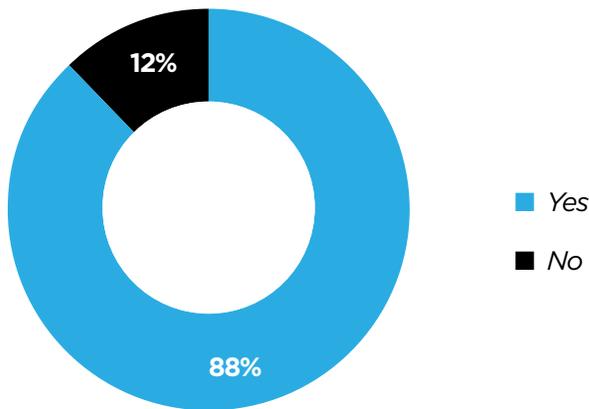


Figure 2
 Q: Are you currently able to track incremental purchases when shoppers come into the store to pick up an online order?
 n = 138



area. A healthy 88 percent of respondents said they're currently able to track incremental purchases from customers when they come in to pick up an online order.

The next question then becomes, how much are BOPIS customers spending once they get in-store? The majority of respondents said that the average additional spend from incremental in-store purchases is either between 11-20 percent or 21-30 percent greater than the online ticket price. Perhaps more importantly, just 2 percent of respondents said they're getting no additional in-store purchases from BOPIS customers.

BOPIS CUSTOMERS MAKING ADDITIONAL PURCHASES ONCE IN-STORE

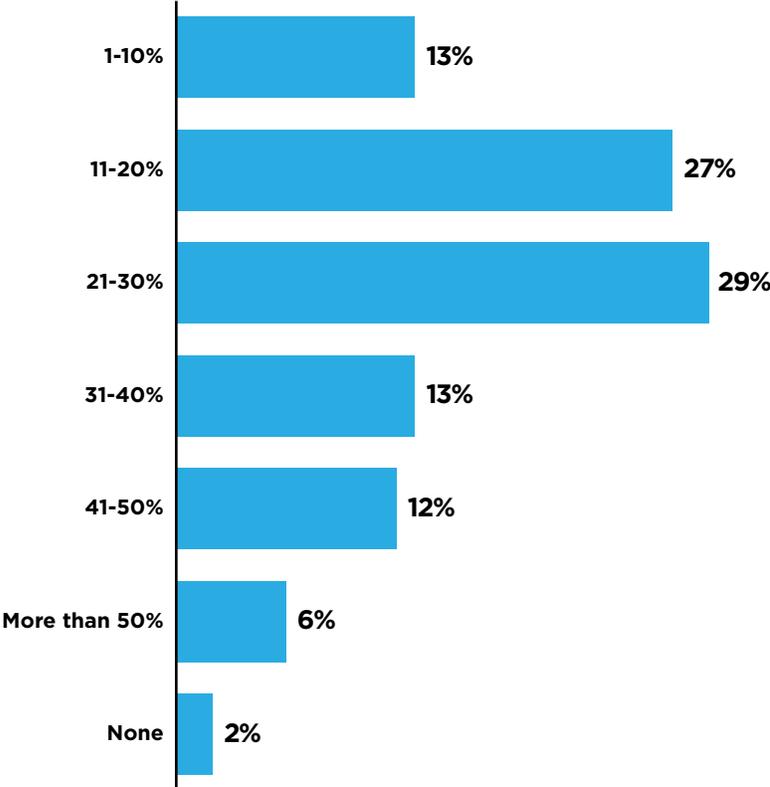


Figure 3
Q: What is the average additional spend from incremental in-store purchases?
n = 120



Not only are these incremental in-store purchases driving top-line revenue growth, but retailers with well-executed BOPIS programs are realizing cost savings from less shipments. The technology infrastructure necessary to support BOPIS — e.g., distributed order management systems, enterprisewide inventory visibility — is rewarding retailers with strong return on investment.



Sales Data Key to Measuring BOPIS Success

The theory is that if you can't measure the value of a program, then it's not worth doing. The good news is that the vast majority of respondents (88 percent, in fact) have processes in place to measure the effectiveness of their BOPIS programs. Not surprisingly, retailers have identified sales — total BOPIS sales/revenues, BOPIS sales as a percentage of overall sales — as the primary metric they're looking at when evaluating the success of their BOPIS program.

In addition to sales, retailers have identified the following KPIs as helpful in monitoring the success of their BOPIS program:

- Customer satisfaction scores (cited by 58 percent of respondents)
- Online average order value (cited by 57 percent of respondents)
- Speed of fulfillment (cited by 57 percent of respondents) and
- Incremental in-store purchases (cited by 51 percent of respondents)

Other metrics that retailers should be tracking in order to get a complete picture into the performance of their BOPIS program include new customer acquisition, online conversion rate, and return rate for BOPIS orders.

With a well-researched understanding of their BOPIS program, taking into account the metrics identified above, retailers can then put into action plans to improve upon its performance. At the top of the list for retailers when it comes to ways to improve their BOPIS programs is investments in the technologies that enable BOPIS. Half of all respondents said they have invested in technology to improve their BOPIS program.

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IMPROVEMENTS TO BOPIS BY RETAILERS

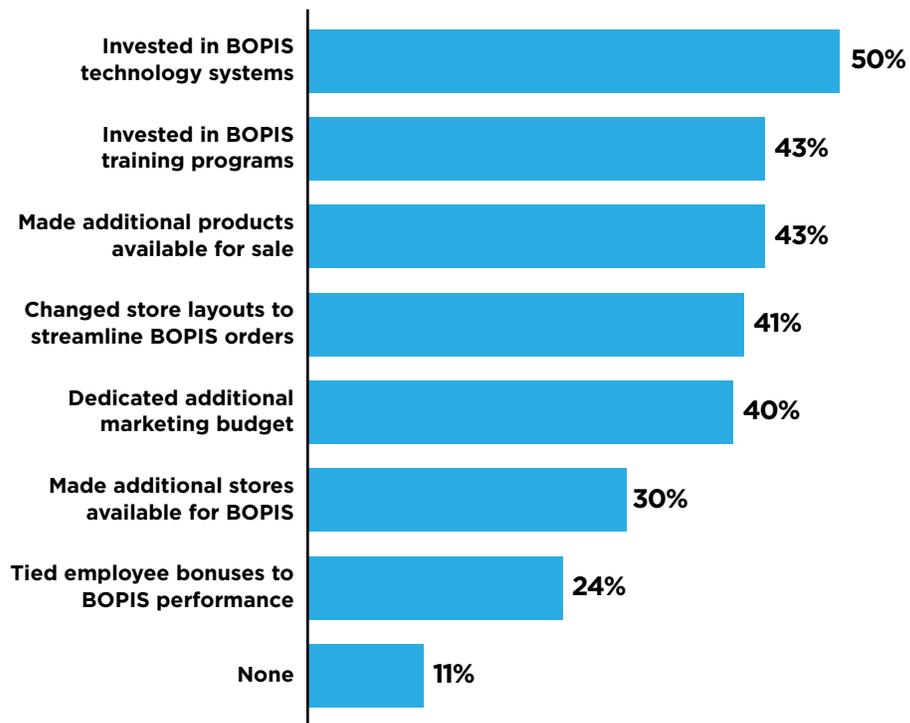


Figure 4
Q: What changes, if any, have you implemented since deploying BOPIS to improve on the success of the program?
(Choose all that apply)
n = 137

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What the chart above indicates is that retailers that have launched BOPIS programs, which, as an offering is still in its early days, have underinvested in technology and training. In many cases a retailer's BOPIS customer is a different customer, and should be treated as such. In addition to a different order management and fulfillment process for BOPIS customers, they are engaging with the brand in multiple channels during the purchase journey. They are not your standard e-commerce customer. And, industry data shows that multi-channel shoppers have higher value than single channel shoppers.

While BOPIS has seen high levels of retailer and consumer adoption, and early signs of its continued success are promising, there are plenty of areas where retailers need to improve upon. We asked our survey respondents to tell us the most important thing they learned in researching and deploying their BOPIS programs. Here are some of the more telling responses:

- "Speed of filling orders is crucial."
- "The systems are a valuable resource to have to increase revenue. It's important to be able to track inventory and increase customer sales."
- "More in-store sales have been generated since our BOPIS program has been in place."
- "We needed to make sure in store stock was accurate at all times."

- “Scale slowly for optimum ROI.”
- “Make sure our company implements BOPIS supported technology that ensures accuracy and dependability.”
- “You need to get the store team on board before making any investments.”
- “You must have an accurate inventory and have items ready for the customer when they arrive.”
- “That there is a number of ways that we have to guard against fraud.”

BOPIS Best Practices

- 1. Identify key metrics to measure.** What do you hope to accomplish with your BOPIS program? Increase online conversion rates? Generate more store traffic? Grow in-store average order values? All of the above? Have a plan for what metrics matter to your business, and then processes in place to measure them.
- 2. Put a pilot program in place.** A pilot program, rolling out a limited number of stores to gauge customer demand as well as identify any internal operations challenges is necessary before rolling BOPIS out to your full fleet of stores. Errors in BOPIS are immediately visible to customers which is why this step is critical.
- 3. Collect feedback — both employee and customer.** The opinions of your customers and employees, particularly store associates, is invaluable as you look to build out your BOPIS program. This service is new for both groups, so consult them to find out what’s working and what’s not. Then take action based on their feedback.
- 4. Create training programs for workers.** This should extend beyond the store to include customer service representatives (CSRs). While new workflow training will be necessary for store associates, who are now being tasked with picking and packing items in stock rooms to checking in and checking out BOPIS customers on the sales floor, the same is true for CSRs. With the introduction of BOPIS, there’s going to be an increase in the number of customer service inquiries about the service. Provide CSRs with the training and information needed to handle these calls.
- 5. Use technology.** Investments in technology systems will be necessary to support an effective BOPIS program. Technologies such as artificial intelligence (AI) and machine learning are being used by retailers for multiple applications, including inventory forecasting. With the use of AI, retailers are able to identify and forecast inventory trends by geographic region down to the store level. As we know, synced and accurate inventory management is a prerequisite for a well-executed BOPIS program.

METHODOLOGY

NAPCO Research fielded an anonymous, web-based survey to retailers in Q2 2019. Respondents with less than \$10 million in annual revenue were screened out of the survey.



WHO WE ARE



Radial Inc., a bpost company, is the leader in omnichannel commerce technology and operations. Premier brands around the world confidently partner with Radial to deliver their brand promises, anticipate and respond to industry disruption, and compete in a rapidly evolving market. Radial's innovative solutions connect retailers and customers through advanced omnichannel technologies, intelligent payments and fraud protection, efficient fulfillment, supply chain services, and insightful customer care services – especially where high-value customer experiences are critical. We are flexible, scalable, and focused on our clients' business objectives. Learn how we deliver today's retail for you at www.radial.com.

NAPCO RESEARCH

Led by a former Forrester Research analyst, the NAPCO Research team crafts custom data-centric solutions that leverage our highly engaged audiences across the markets in which we operate, our industry subject matter experts and in-house research expertise. We partner with our clients to identify their unique business problem and create solutions that enable deeply informed decision making.

NAPCO Research can help with:

- Business goal prioritization
- Opportunity discovery
- Market segmentation
- Landscape insight
- User needs and wants
- Product features and functionality
- Content marketing strategy
- Sales strategy and tactics
- Market conditions
- Benchmarking
- Industry trends
- Brand awareness

