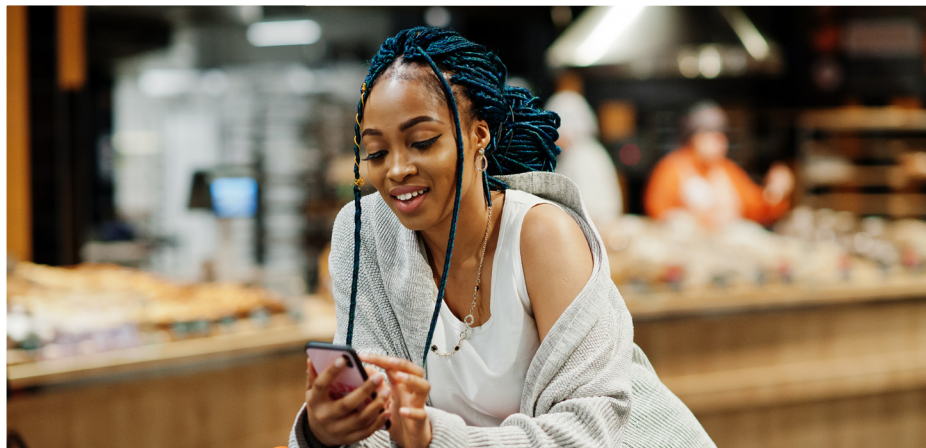


DIGITAL RESEARCH

COMMERCE 360

— KEY FINDINGS FROM THE — 2020 OMNICHANNEL REPORT

An exclusive sneak peek at the key findings
from the 2020 Omnichannel Report



Compliments of:  **Radial**
a bpost company

CONTENTS

OVERVIEW	3
RETAIL CHAINS	6
OMNICHANNEL DATA TRENDS FOR CONSUMER BRANDS	10
LINKING STORES AND ONLINE	12



ONLINE SHOPPERS HAVE HIGH EXPECTATIONS FOR INVENTORY ACCESS	14
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ABOUT

The author	16
Internet Retailer Research	17

SPONSORED CONTENT

Radial	5
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OVERVIEW

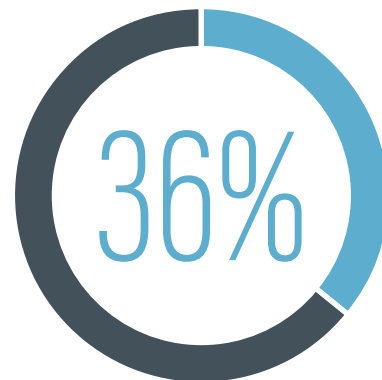
Retailers can no longer think of physical stores and ecommerce in separate buckets.

That's because U.S. shoppers have buying habits that mesh the two channels together. For instance, they want to research online and find out what products are available in store, pick up items without leaving their cars, have store and online prices match, and return online orders to a store. And all of these features require retailers of all types to invest in omnichannel services.

Even though stores generate roughly 84% of retail sales in the U.S., with online sales comprising the remaining 16% of total retail sales, ecommerce sales represent more than half of all retail sales growth, according to estimates from Digital Commerce 360 and the U.S. Commerce Department. This means stores remain an important part of retail, but because ecommerce is growing at a fast clip, retailers must pay attention and invest in both channels.

Plus, Forrester Research Inc. estimates that an additional 36% of offline retail sales are digitally impacted. This means that even though the final transaction didn't occur online, ecommerce was somehow a part of the journey, with shoppers looking up store inventory beforehand, checking an online review or comparing prices. So between sales and influence, ecommerce impacts more than half of total retail sales.

Therefore, retailers of all types are trying to connect their physical stores to the digital world and vice versa. But omnichannel features range from in-store pickup to guiding a shopper via a mobile app to the precise shelf a product is on in a store. Determining which omnichannel features are important differs based on the type of retailer.



36% of offline retail sales are digitally impacted.



This report dives into the omnichannel operations of three segments of retailers: retail chains, such as Walmart Inc. and Target Corp.; consumer brand manufacturers, such as Nike Inc. and Canada Goose; and digitally native, vertically integrated brands, such as Casper and Warby Parker, many of which are opening their own stores. Digital Commerce 360 did not analyze how catalog/call centers approach stores in this report.

For large retail chains, convenience should be central to the omnichannel operation. That often means offering almost immediate buy online pick up in store. Consumer brand manufacturers, on the other hand, might be better served to invest in technology that allows shoppers to book a store service online to showcase the unique attributes of its products and brand. And a digitally native brand needs to consider why a shopper would want a store, if they've already built a successful model online. [↗](#)



OMNICHANNEL TECHNOLOGY HELPS RETAILERS OPERATIONALIZE ECOMMERCE



An executive conversation with **Prashant Bhatia**, senior vice president of technology services, Radial

COVID-19 may be changing ecommerce operations forever. Consumers who traditionally shopped in stores are now purchasing online, and this disruption is so widespread that ecommerce sales are expected to rise even after the pandemic subsides. To discuss how retailers that embrace omnichannel strategies and are flexible in their fulfillment offerings will capitalize on this year's holiday shopping season and beyond, Digital Commerce 360 spoke with Prashant Bhatia, senior vice president of technology services at Radial.

How has the pandemic changed ecommerce operations and how have retailers responded?

New forms of omnichannel shopping have emerged during the pandemic, most notably buy online, pick up at curbside (BOPAC). Consumers are currently taking advantage of these various options, and the likelihood is high they will continue shopping this way.

Retailers with omnichannel technology are quickly making strategic changes—rerouting their products to open stores and moving products from one distribution center to another, while still fulfilling orders. They're also adopting the conveniences consumers want by implementing ship-from-store, putting policies in place to manage returns curbside and using real-time data to predict needs accurately.

What have been some of the biggest challenges confronting retailers?

As a result of the pandemic, the shift in customer needs and expectations has created some big challenges for retailers. Consumer preference continues to drive strategy, making execution in-store difficult. With social distancing part of the "new normal," retailers will need to offer multiple purchasing channels so consumers can follow the path to purchase they prefer. Whether it's buy online, pick up in-store (BOPIS) or online ordering, consumers still need a variety of options.

Linking online and physical stores is also a challenge. Customers will expect a uniform shopping experience regardless of channel. Building rapport with customers across channels then becomes critical, as it contributes to ease of experience. Employers should coach employees to maintain professional conversations and tailor an approach to individual shoppers while utilizing the technologies that make this easier.

What operational strategies are paramount to successful omnichannel ecommerce?

Having a multi-node fulfillment network is key to success. Not only will retailers be able to save time and money by efficiently handling the ebb and flow of orders, but they can also staff on demand and serve multiple clients while doing so. To combat fulfillment strain and increased shipping costs, leverage local store locations or retail partners as alternatives to centralized fulfillment locations. By getting closer to customers, brands also decrease shipping times and can offer conveniences, such as BOPIS and curbside returns.

Retailers can improve store fulfillment by leveraging historical data to make sure they have the people and processes needed for peak. For example, know when to prioritize BOPIS and when to focus on walk-ins. Mobile technology plays a big role in store-fulfillment efficiency. But it can also add complexity. Make sure devices and apps are easy for associates to access and use. The more they master mobile, the more their associates can offer an endless-aisle experience.

What strategies or technology should they implement to succeed?

Seamlessly integrating omnichannel with the in-store experience will allow consumers to feel the same convenience as shopping in-store. This requires investing in omnichannel technology that enables flexible fulfillment options to meet shoppers wherever they're most comfortable, allowing for turnkey abilities that adequately protect fulfillment promises if a location can no longer fulfill orders.

Radial, for example, provides a multi-node fulfillment network that allows retailers to offer the right products to the right customer at the right time. It also enables stores to implement options like BOPIS, BOPAC, ship-from-store and ship-to-store. As more stores can reopen, omnichannel technology will be crucial with inventory management and meeting customer needs.



RETAIL CHAINS

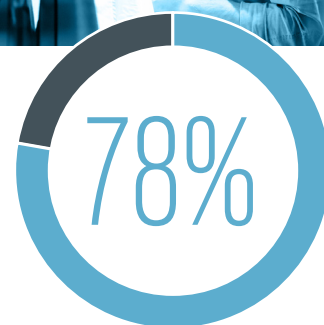
Retail chains are omnichannel pioneers.

As ecommerce sales have continually contributed to a growing part of a retail chain's sales over the past decade, chains realized the importance of connecting its stores to its ecommerce site. Those that do are rewarded, as cross-channel shoppers are often their most loyal customers and often make additional purchases when they pick up online orders or return them.

In fact, within the last 6 months, 21% of online shoppers say they have made an additional purchase when picking up an online order at a store, and 18% said they plan to do this more often in the next 6 months, according to a Digital Commerce 360/Bizrate Insights omnichannel survey of 1,000 online shoppers in February 2020. Plus, 15% said they made an additional purchase when they returned an online order to a store and 10% plan to do it more often in the next 6 months.

Of the omnichannel services that Digital Commerce 360 tracks, retail chains, which all have stores, typically had the highest penetration of each service compared to the other merchant types. For example, 61.6% of Top 1000 retail chains offer buy online pick up in store, compared with 20.6% of catalog/call center merchants with stores, 20.4% of web-only retailers with stores and 21.7% of consumer brand manufacturers with stores.

Plus, 82.3% of retail chains allow online shoppers to return orders to stores, where only 61.8% of catalog/call centers do, 63.6% of consumer brand manufacturers and 35.2% of web-only merchants.



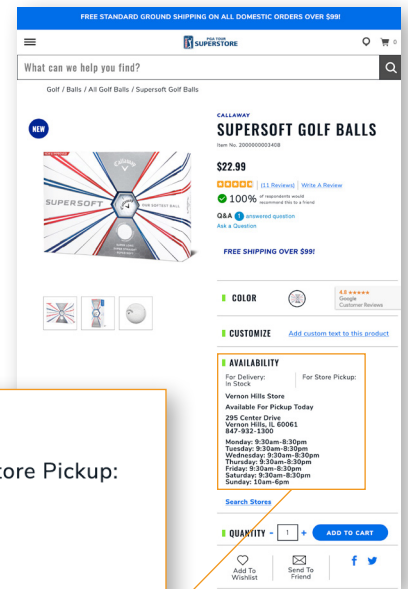
78% of online shoppers have used some sort of omnichannel feature in the last 6 months

Source: Digital Commerce 360/Bizrate Insights omnichannel survey of 1,000 online shoppers, February 2020

Retailers keep investing in omnichannel services because their shoppers use them. 78% of online shoppers have used some sort of omnichannel feature in the last 6 months, according to the omnichannel survey. The two most popular features shoppers said they used were checked online for product availability at a nearby store, with 54% of consumers citing this, and buy online pick up in store, with 41% of consumers saying they've used this omnichannel service within the last 6 months.

In fact, 45% of shoppers said product availability at a nearby store was one of the most important logistical factors that influenced when and where they shopped during the holidays, according to a Digital Commerce 360/Bizrate Insights holiday survey of 1,055 online shoppers in October 2019. Plus, Adobe Analytics reported that buy online pick up in store use increased 35% during the 2019 holiday season compared with the previous year.

Shoppers often want to look up their store's local inventory so they can see if going to the store is worth their trip. In fact, this was a major reason why farm supplies retail chain Tractor Supply Co. launched buy online pick up in store, said Letitia Webster, senior vice president of ecommerce, omnichannel and master data management of Tractor Supply Co. at the National Retail Federation 2020 conference. Most of Tractor Supply's customers live at least 15-20 miles from a store, so they drive a long way to get there, Webster said. What those shoppers want to know is if the product they want and the correct quantity—such as 10 bags of animal feed—is going to be there when they arrive. If not, the shopper could leave disappointed.



AVAILABILITY

For Delivery:
In Stock

For Store Pickup:

Vernon Hills Store
Available For Pickup Today
295 Center Drive
Vernon Hills, IL 60061
847-932-1300

Monday: 9:30am-8:30pm
Tuesday: 9:30am-8:30pm
Wednesday: 9:30am-8:30pm
Thursday: 9:30am-8:30pm
Friday: 9:30am-8:30pm
Saturday: 9:30am-8:30pm
Sunday: 10am-6pm

PGA Tour
Superstore
offers local
store inventory
lookup.



51%

51% of retail chains allow shoppers to look up store inventory online.

Source: 2020 Digital Commerce 360

Golf retailer PGA Tour Superstore offers local store inventory lookup for the same reason of informing shoppers before they come to the store, says Randy Peitsch, senior vice president at PGA Tour Superstore. For example, a left-handed golfer knows that a store may not have a ton of options, so she will want to be sure that the store carries what she is looking for before she drives to look at it in person, he says.

Not all retailers, however, have prioritized inventory lookup from a technology, employee training and investment standpoint. However, not having this service could leave shoppers disappointed if they see a product on a retailer's website, go to the store to look at it and then discover it's not there. Just more than half of retail chains, at 50.7%, allow shoppers to look up store inventory online. Comparatively, only 24.8% of consumer brand manufacturers with stores, 17.6% of catalog call centers and 5.6% of web-only brands offer this.

Besides high shopper adoption, omnichannel services like buy online pick up in store may improve profit margins for online orders. The profit increases come from chopping the delivery costs when shoppers come into stores to pick up orders. Department store Nordstrom reported in its Q3 2019 earnings call that order pickup is its most profitable transaction and accounted for half of its digital sales growth.



Target has a 90% reduction in the cost to fulfill orders when shoppers use pickup in store, Drive Up or Shipt.



Walmart has expanded curbside pickup from being grocery only to including a limited amount of general merchandise.

Target Corp. CEO Brian Cornell has notably said that Target has a 90% reduction in the cost to fulfill orders when shoppers use pickup in store, Drive Up or Shipt. Shipt is Target's paid, same-day delivery service. This is great news for Target, as shopper use of these features has exploded. In Target's fiscal 2019, order pickup increased more than 50%, Drive Up increased more than 500%, and Shipt delivered 2.5 times more orders in the 2019 fiscal year than it had the previous year, Target says. Currently, Shipt is at more than 1,500 Target stores and curbside pickup is at more than 1,750 of its stores.

Walmart is also pushing curbside pickup, offering the service at roughly 3,200 stores. When the mass merchant initially launched curbside pickup, it was grocery only, but has since started offering a limited amount of general merchandise. The challenge for Walmart is shifting the service from being grocery-only to include all products, and alerting shoppers that they can purchase general merchandise and use this service. Now that it has expanded the service to include some non-grocery related items, it needs to stop referring to the program as "grocery pickup" and call it "curbside pickup" instead. [↗](#)

OMNICHANNEL DATA TRENDS FOR CONSUMER BRANDS

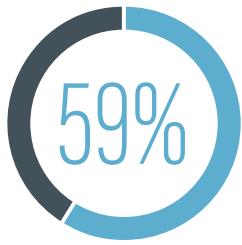
What Digital Commerce 360 finds in its data is that many consumer brand manufacturers with stores in the Top 1000 don't offer basic omnichannel services for their store fleets. For some, there is a good reason. Some omnichannel services that are fundamental for large retail chains don't make sense for a consumer brand manufacturer with a smaller store footprint.

For example, if a brand only has six stores that are spread out across the U.S., the need to look up another store's inventory is not as useful to a consumer. What good is it for a shopper in Chicago to know if a Boston store has a dress in her size? For a different type of retailer, like a retail chain, this would be a problem. For example, if a shopper at a Pottery Barn store wanted to buy five matching vases but the store only had four, the associate could look up a nearby store's inventory for the shopper. Eventually, if a brand wanted to open more stores with multiple in the same market, store-to-store inventory look up becomes a service that is more valuable to invest in.

Retailers with multiple stores in the same area benefit most from store-to-store inventory lookup.

While consumer brand manufacturers may understandably not offer some omnichannel services, other services are a natural fit for consumer brand manufacturers and they just don't offer it, such as store returns. Allowing shoppers to return an online order to a store is a clear





59% of consumers expect consumer brand manufacturers to offer store returns for online orders



Source: Digital Commerce 360/Bizrate Insights omnichannel survey of 1,000 online shoppers, February 2020

advantage for a retailer. Often, shoppers are hesitant to place an order if they know that returning it might require more work than they are used to, such as having to go to the post office, FedEx or UPS, or even having to pay for return shipping. At 63.3%, less than two-thirds of Top 1000 consumer brand manufacturers with stores allow shoppers to return an online order to a store.

Two major reasons why this could be are outdated technology in their stores and costs. A retailer needs to have its online and store inventory merged and allow its store associates to have access to all inventory in order to process online returns to stores. The returned product then needs to be available to be resold in stores. Often, retailers cannot just immediately restock the product, as the store may have a much smaller assortment than what is available online. If a store doesn't have a spot for the product, the retailer may need to mark it down and put it in a clearance section.

If stores don't want to resell the product, retailers need an efficient process to ship returned merchandise back to a warehouse.

“Retailers don't want a pallet of clothing waiting to go back to the warehouse until it's full,” says Forrester Research Inc. analyst Brendan Witcher.

However, not offering store returns is a clear miss, as 59% of consumers said they expect consumer brand manufacturers to offer store returns for online orders, according to the Digital Commerce 360 omnichannel survey. [↗](#)

LINKING STORES AND ONLINE

Digitally native brands with stores are focused on making the channels work in harmony. Mattress brand Casper has 21 of its own stores. It knows that mattresses are a considered purchase. After our researcher visited the store, he was happy to receive an email with a list of products that he told the associate he liked while in the store. If he clicked on a link in that email, all of those products would be added to his cart for him to buy, so he wouldn't have to hunt for them on Casper.com. Our researcher was also pleasantly surprised that the link was truly about the products he wanted, and he did not get automatically signed up for marketing emails.

This was a good way to bridge the store and ecommerce site, and a departure from a commission-based store associate who may pressure a shopper to buy while in store. For example, at retail mattress chain Sleep Number, our same researcher made it clear he would not purchase that day and he was just gathering information. Still, the associate pushed our researcher to make a decision, which discouraged him from going online later.

Similar to Casper, specialty foods retailer Stonewall Kitchen has a unique way to tie its store shoppers to its ecommerce. The retailer posts signs around the store inviting shoppers to scan a code to enter a contest or to get information, such as recipes shoppers can make using a chutney or cooking oil that Stonewall Kitchen sells. The sweepstakes entry forms require the shopper to enter first and last name and email address, at a minimum. Recipe landing pages don't require the shopper to provide information, "but once they are on our website they will be within one or two clicks, or scrolls, of a prompt to opt in electronically," says Ian Marquis, ecommerce manager at Stonewall Kitchen.



Casper successfully connected offline and online shopping via a product-specific follow-up email after our researcher visited a Casper Sleep Shop.

Over five years, that's helped Stonewall Kitchen acquire 100,000 email addresses of store shoppers. "It is not the primary driver of our email list, but it provides our strongest entry point for retail customers, and is invaluable because of that," Marquis says.

Having the email address of the store shopper helps Stonewall Kitchen match up the shopper with her online behavior if she previously provided her email address on the website, for example, to receive newsletters or as part of making a purchase. It also enables the retailer to include in its profile of that customer what product interested her and which store she shopped in.

What's significant is the customer provides the information herself without employee involvement, Marquis says.

"My biggest push now is to look for ways to get engagement with customers, but let them do it at their own pace and not involve store associates," Marquis says. "We want to find a way that's as close to frictionless as possible."

Another way digitally native brands tie together their ecommerce and physical stores is intentional storytelling. For example, online retailers have unlimited space online to tell their brand story and are used to clearly explaining their unique position in the market.

Many of these retailers are trying to convey that message in store. For example, on Allbirds.com, the shoe brand has a page dedicated to "our materials" with videos and information about each. In store, Allbirds has shadow boxes showcasing the raw materials for each of its shoes, such as wool, tree, sugar and recycled plastic bottles.

Bedding retailer Boll & Branch is in the process of translating its impact report—a document it posts on its site about its sustainability efforts—into window displays, art and events at its store, Drimonis says. [△](#)



'My biggest push now is to look for ways to get engagement with customers, but let them do it at their own pace and not involve store associates.'

—Ian Marquis,
ecommerce manager,
Stonewall Kitchen

ONLINE SHOPPERS HAVE HIGH EXPECTATIONS FOR INVENTORY ACCESS

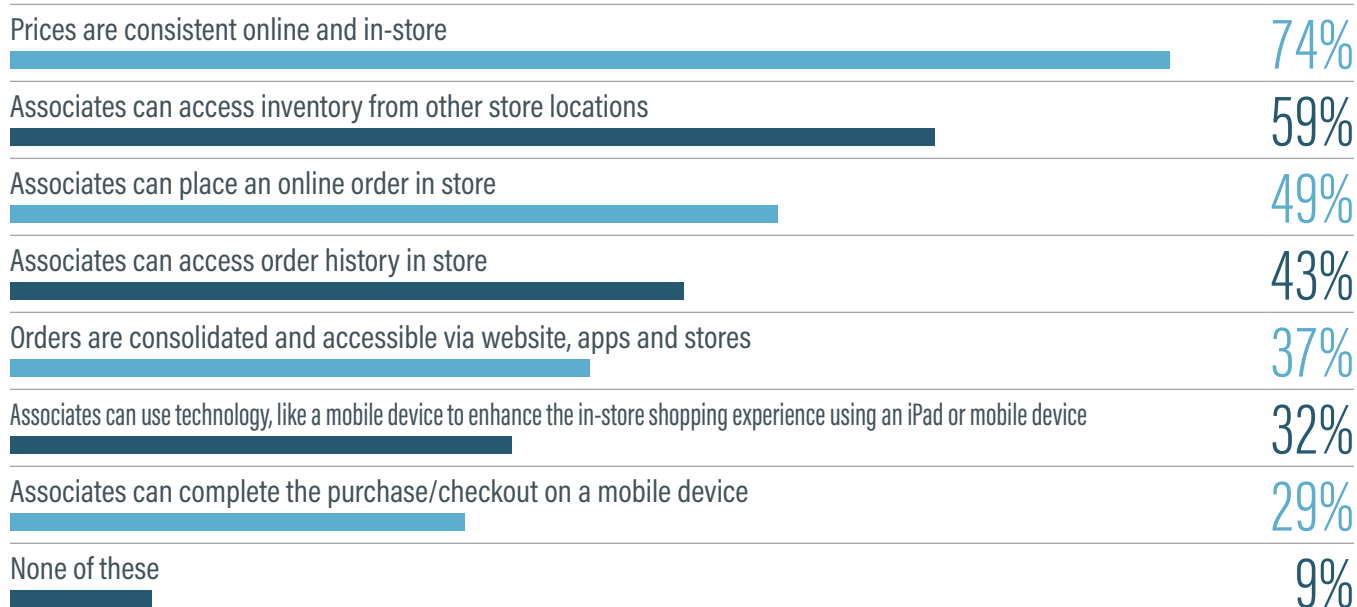
Price consistency is paramount as 74% of online shoppers expect that prices will be consistent across channels. Retailers should ensure that prices are consistent or have policies in place to match them across channels.

The second critical area of concern centers on the enterprise's access to information and its in-store ordering capabilities. Both are expectations of shoppers. Enterprise access for online shoppers starts with the ability to locate inventory, as 59% of online shoppers want this, and they also want associates to be able to place an online order in store, at 49%.

CONSUMER SURVEY

WHICH OF THE FOLLOWING DO YOU EXPECT WHEN THINKING ABOUT STORES/BRANDS THAT SELL BOTH ONLINE AND IN-STORE?

Multiple responses allowed



Source: Digital Commerce 360/Bizrate Insights 2020 survey of 1,000 online shoppers, February 2020



Early on in ecommerce the role of the store was discounted, but in the past few years, retailers have realized that omnichannel is critical to success.

From an efficiency standpoint, orders should be available to shoppers across devices and channels for convenience and quick conversion. Cross device, cross channel order access is expected by 37% of online shoppers. Just as we addressed in earlier questions, associate use of technology to enhance the shopping experience is seen as valuable by 32% of online shoppers, while mobile POS is desirable in store by 29% of online shoppers. Retailers must therefore evaluate the role of technology in store from aiding shoppers with selection, to checking them out via mobile POS.

Early on in ecommerce the role of the store was discounted, but in the past few years, retailers have realized that omnichannel is critical to success. Not only does the customer embrace a two channel model, they find its conveniences compelling. They have adopted omnichannel's functionality that begins with inventory lookup and ends with a BOPIS order. Mobile has ignited its use before and during store visits fueling this behavior with predictions for even greater adoption. Retailer investments should be forthcoming, with customer satisfaction and sales as the end result of these efforts. [↗](#)

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April Berthene is the managing editor at Digital Commerce 360. April oversees all editorial content for Digital Commerce 360 Retail including daily news, strategic articles and executive reports. April joined Digital Commerce 360 in 2014, covering mobile commerce for Internet Retailer Magazine. She earned her journalism stripes covering local news as the editor of The Winnetka Current newspaper on Chicago's North Shore. April earned her bachelor's of science in news-editorial journalism with a minor in business at the University of Illinois.



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ABOUT DIGITAL COMMERCE 360 RESEARCH

At Digital Commerce 360 Research, our goal is to provide data and information about ecommerce that helps retail companies, investors and technology providers prosper.

The team tracks hundreds of metrics on roughly 6,000 online retail companies around the world, including such sought-after data points as web sales and traffic, conversion rates, average order value and key technology partners used to power their ecommerce businesses. We sell this data in its raw format in our multiple online databases, and we dig deeply into these numbers to help inform our 30+ exclusive analysis reports we publish each year on key ecommerce topics, including online marketplaces, cross-border ecommerce and omnichannel retailing. In-depth, data-focused reports are also available on key categories of online retail like apparel, housewares, food and luxury. We also have a robust custom research department, which provides tailored research products—in-depth reports, exclusive surveys, raw data pulls and other products—for top retail companies, consultants, financial analysts and technology companies.

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Connecting All Demand to All Supply

Keys to Omnichannel Success

Consumer preferences drive strategy. By offering multiple purchasing channels, consumers can follow the path to purchase they prefer.

Retailers who embrace **omnichannel strategies** can simplify complex order fulfillment scenarios, gain a single view of supply and demand and provide flexible shopping options to keep customers coming back.

Radial has helped hundreds of brands and retailers optimize inventory management to improve customer experiences and scale on demand.

A partner you can trust, we're here for you.
radial.com/omnichannel-ecommerce | +1 877 255 2857

