



BOPIS: Understanding the Growth and Impact of Omnichannel Fulfillment



BOPIS: UNDERSTANDING THE GROWTH AND IMPACT OF OMNICHANNEL FULFILLMENT

As more and more consumers opt to shop online — e-commerce sales are projected to increase between 10 percent to 12 percent year-over-year in 2019 vs. a roughly 4 percent YoY increase for overall retail sales, [according to the National Retail Federation](#) — traditional brick-and-mortar retailers have been searching for ways to not only avoid ceding market share to their digital-native counterparts, but potentially growing it. Consumers have grown accustomed to free and fast delivery of online orders, thanks in large part to Amazon's Prime membership program, intensifying the pressure on traditional retailers to remain relevant in an increasingly digital retail environment.

This dynamic leads us to omnichannel fulfillment of online orders, and particularly buy online, pick up in-store (BOPIS) programs. Traditional retailers are wisely beginning to leverage their physical store locations, a competitive differentiator in their battle against online pure-plays to win over today's want-it-now — and for free — e-commerce shoppers. BOPIS offers retailers the opportunity to grow their digital businesses, while driving in-store traffic and incremental sales in the process.

It is for this reason that NAPCO Research and Radial, a leader in omnichannel commerce technologies and operations, surveyed retail executives to quantify their companies' adoption level of buy online pick up in-store (BOPIS), as well as better understand the impact such programs are having on incremental sales — both online and offline. 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 retailer's 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.

Widespread Adoption of BOPIS

What we learned is that retailers recognize the benefits that an effective BOPIS program can offer, and are implementing them as such. A full 92 percent of respondents said their company currently has a BOPIS program in place. Considering the relative newness of BOPIS programs, this high adoption level speaks to the potential retailers see for them. Also, given the higher annual revenues of our respondents' companies, one might expect a higher level of adoption than if smaller retail organizations were to be included.

Five percent of respondents noted that while their company didn't currently have a BOPIS program, it planned to launch one in the next 12 months. Just 3 percent of respondents said that their company currently doesn't offer BOPIS, and has no plans to do so in the next 12 months.

92%
OF RETAILERS
CURRENTLY
HAVE A BOPIS
PROGRAM

RETAILERS ADOPTING BOPIS PROGRAMS AT HIGH RATE

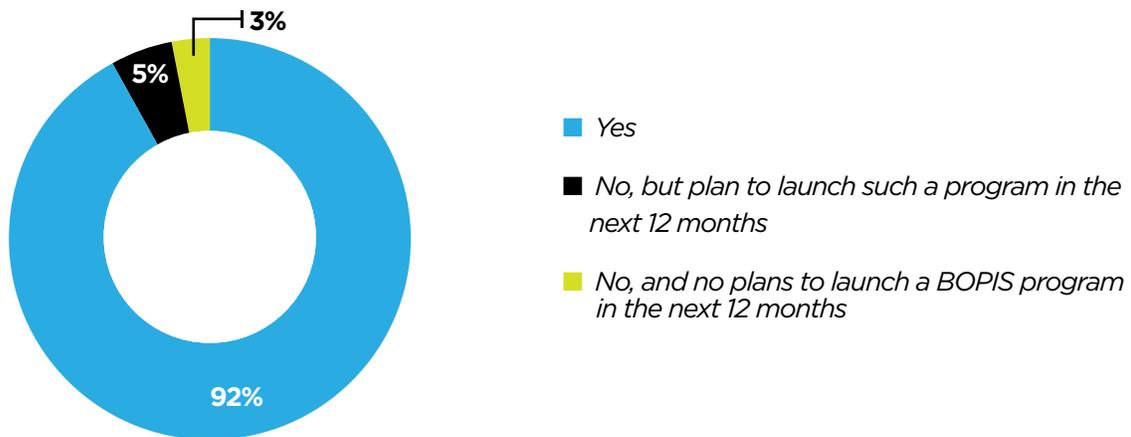


Figure 1
Q: Does your company currently have a buy online, pick up in-store (BOPIS) program?



The leading reasons preventing retailers from launching a BOPIS program include the belief that there's a lack of demand for the service; the cost associated with implementing and operating such a program; and a lack of the right people, processes and technology.

There's seems to be a disconnect between retailers that aren't offering BOPIS and their perceived lack of consumer demand for the service. 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.

Demand is already at a significant level and figures only to grow as retailers get better at executing the service, however, there are legitimate cost concerns for retailers contemplating BOPIS. Investments in people (e.g., hiring), process (e.g., training), and technology (e.g., order management system) are often necessary to provide a BOPIS experience that meets customers' high standards. Which leads us to the areas retailers are focusing on when deploying a BOPIS program ...

67%
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Inventory Accuracy Integral to a Well-Executed BOPIS Program

With consumer demand for BOPIS established, the next question you may be asking yourself is, “What areas of my business should I be focused on to deploy a BOPIS program?” According to our survey respondents, inventory management should be at the top of that list. Ninety-three percent of respondents said they placed a significant or moderate focus on inventory accuracy when developing their BOPIS program.

RETAILERS FOCUS ON INVENTORY MANAGEMENT FOR BOPIS DEPLOYMENT

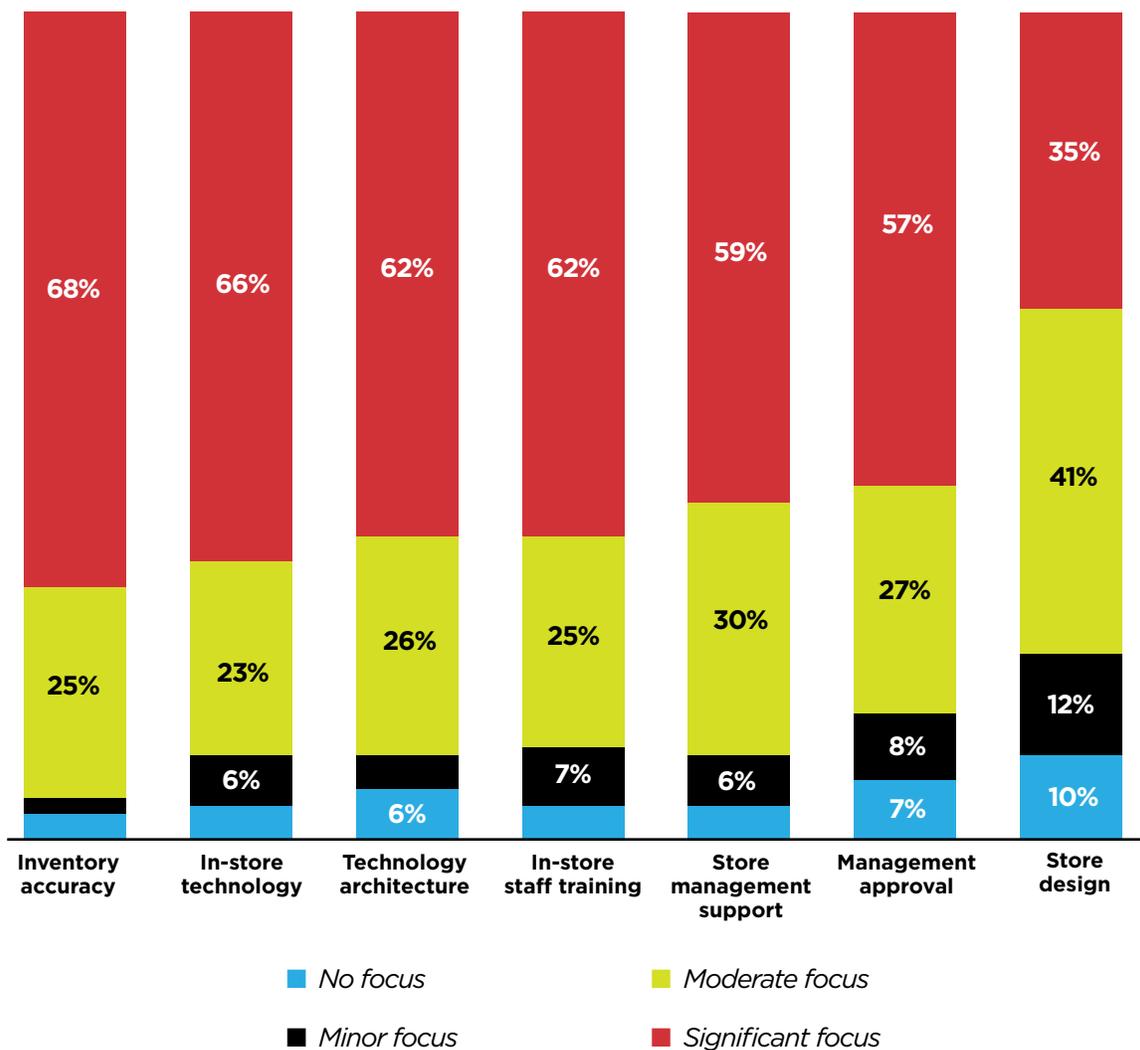


Figure 2
Q: What key areas did you focus on in order to deploy a BOPIS program?



This level of detail into inventory accuracy is well worth the time and capital investment. Without accurate inventory counts, any BOPIS program is fundamentally broken. Retailers must ensure, at minimum, two things before sending a customer to a store to pick up their online order: one, that the product(s) ordered are at the store and, two, that the inventory hasn't been allocated to another customer.

If these two requirements aren't met, the customer experience is about as bad as it can get. And because of that poor customer experience, it's highly likely that customer will no longer shop with your business. Simply put, customer lifetime value is at stake without accurate inventory.

To help address the challenge of accurate inventory management across all channels, a necessity for BOPIS, many retailers are re-examining their technology solutions. Order management systems are just one of many back-end technology systems used to support a retailer's BOPIS program.

While inventory accuracy and in-store technology are areas retailers are most focused on when developing their BOPIS programs, they're hesitant to make changes to store design to accommodate BOPIS customers. Just 35 percent of respondents said store design was a significant focus for the BOPIS program, and 22 percent said it was a minor or nonexistent focus. But perhaps they should be ...

Operational Challenges Plague Retailers' BOPIS Programs

While retailers are focusing on inventory accuracy for their BOPIS programs — and rightly so — they shouldn't discount the impact of in-store operations. In fact, the top challenges associated with retailers' BOPIS programs were related to the physical store. Store design and operations matter to BOPIS customers, and thus should matter to retailers too.

More retailers cited the speed of having orders ready for in-store pickup as a challenge for their BOPIS program than any other answer. In fact, the second most cited answer also related to in-store operations — having the space in stores for pick up of online orders.

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IN-STORE OPERATIONS TOP LIST OF BOPIS CHALLENGES

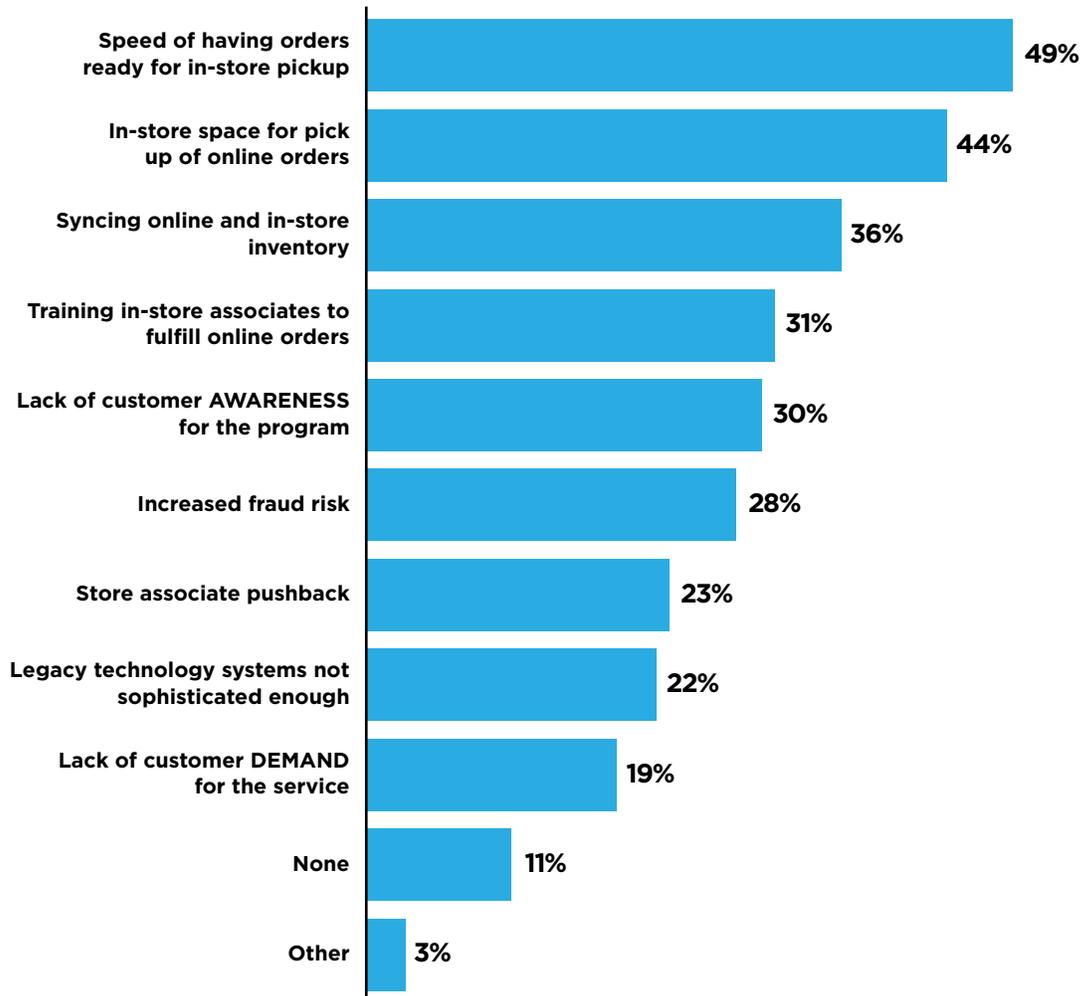


Figure 3
Q: What challenges, if any, have you encountered in deploying a BOPIS program? (Choose all that apply).



The problem for most retailers that have rolled out BOPIS isn't a lack of demand for the service, but rather the execution. Stores weren't designed for fulfillment and pickup of online orders, and the staff working in them more often than not weren't hired or trained to handle such tasks. BOPIS has added another layer of responsibility to the store associate's role.

People, Process, Technology: Retailers' 3-Pronged Solution for BOPIS Challenges

Retailers are relying on a combination of people, processes and technologies to help address their BOPIS challenges. That was the key takeaway from our survey respondents. Here are top actions retailers are taking to help overcome BOPIS challenges:

- **Training store associates** on the fulfillment of online orders (chosen by 46 percent of respondents);
- **Investing in technology** systems to enable BOPIS (43 percent);
- **Creating marketing campaigns** to promote BOPIS (39 percent);
- **Training customer service** to handle BOPIS-related inquiries (39 percent); and
- **Forming cross-functional teams** to develop BOPIS processes (37 percent).

Retailers Taking Steps to Overcome BOPIS Challenges

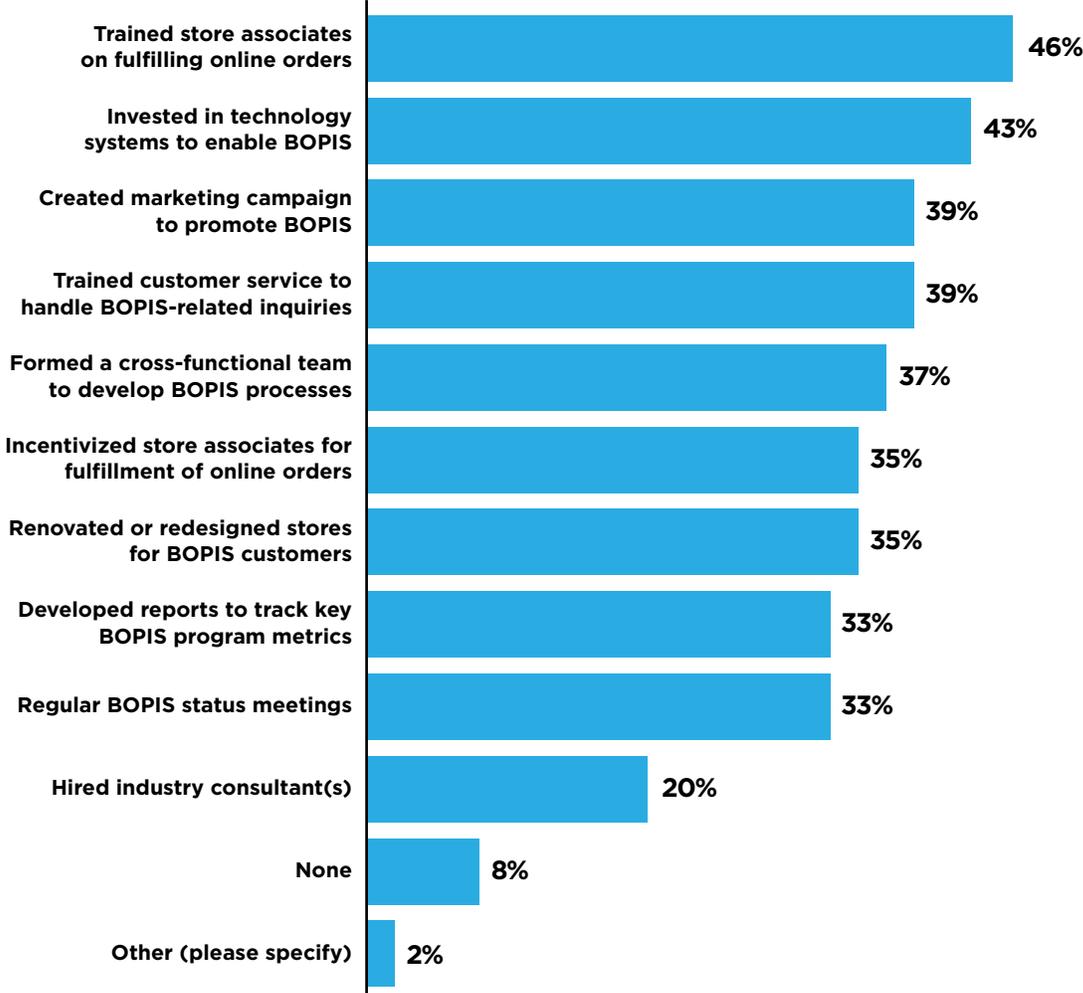


Figure 4
Q: What steps did you take that were helpful to overcome the challenges?
(Choose all that apply.)

With regards to bullet point No. 3, creating marketing campaigns to promote BOPIS, retailers are working to spread consumer awareness of their BOPIS through multiple channels, first and foremost their own websites, but also on their social media pages, email campaigns, apps, and in-store signage. Awareness is the first step in getting customers to utilize BOPIS.

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 testing program in place.** A pilot program with 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.
- 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 to 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. In fact, consider creating a dedicated customer service email address and phone number for BOPIS-related inquiries.
- 5. Use technology.** Investments in technology systems will be necessary to support an effective BOPIS program. Technologies such as Radial's intelligent order management system and in-store fulfillment technology provide the foundation for a well-executed BOPIS program through distributed order management, enterprise-wide inventory visibility, and more.

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

