MANAGING THE
BOPIS Boom:

5 STRATEGIES FOR IMPROVING AT-STORE PICKUP

retail
TouchPoints®

SPECIAL REPORT

INTRODUCTION

Buy online, pick up in-store (BOPIS) was already a hot retail trend before COVID-19 hit earlier this year. With the rise of a pandemic that made consumers wary about shopping inside physical locations, BOPIS, or more accurately BOPAC (buy online, pick up at curb), became a lifeline for retailers as they began to cautiously reopen.

"For the last two years in our research, we've seen the percentages of transactions flowing through buy online, pick up in-store grow by **50%** each year, so it was already growing pretty fast," said Steve Osburn, Managing Director at Kurt Salmon, part of **Accenture Strategy,** in an interview with *Retail TouchPoints.* However, since the beginning of the pandemic, click-and-collect orders — BOPIS and BOPAC combined — are now settling at **4X to 5X** their pre-COVID levels, retailers told Osburn.

A big-box retailer that heavily promoted pickup-at-store could get up to **60%** to **80%** of its online orders fulfilled that way even before the pandemic, said Brendan Witcher, VP-Principal Analyst at **Forrester Research** in an interview with *Retail TouchPoints.* By not shipping the bulk of its e-Commerce orders to consumers' homes, these retailers could justify significant investment in infrastructure, staffing and advertising and still end up ahead.

The majority of U.S. consumers had tried click-and-collect by the end of 2019. When the National Retail Federation (NRF) surveyed consumers last year for its **Winter 2020 Consumer View**, it found that **78%** of consumers already had picked up an online order inside a store, and **43%** had used curbside pickup. Of those who had not yet used these services, **88%** were interested in trying BOPIS and **81%** in trying BOPAC.

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"BOPIS creates incremental sales because 30% to 40% of consumers buy additional items when they get into the store."

- BRENDAN WITCHER, FORRESTER RESEARCH

CURBSIDE PICKUP COMES WITH SOME DRAWBACKS

For retailers, however, BOPAC minimizes one of the key retailer benefits of BOPIS — **the opportunity to make additional sales when customers pick up their orders**. "BOPIS creates incremental sales because **30%** to **40%** of consumers buy additional items when they get into the store," said Witcher.

When BOPIS customers buy something else, they spend an average of **10%** to **15%** more than they did on the original order, according to Tom Enright, VP-Analyst in **Gartner Supply Chain Research** in an interview with *Retail TouchPoints*.

BOPIS and BOPAC also add another layer of costs, a fact that had kept many retailers from moving beyond pilot programs. "We've talked to retailers who said they didn't see a business case for enabling pickup at-store," said Nikki Baird, VP of Retail Innovation at **Aptos Retail** in an interview with *Retail TouchPoints*. "They looked at labor costs and product margins and said, 'Even if we got this many people coming to a store and spending this much more once they got there, it wouldn't cover the labor costs of having people pick and pack the inventory.'

"There are a lot of similarities between BOPIS and curbside pickup, but there are subtle but important differences," Baird added. **"Retailers who treat BOPAC the same as BOPIS will be surprised by the lack of ROI and the challenges they have in implementing curbside pickup."**

Despite some retailers' reservations, the "contactless" aspect of BOPAC propelled curbside from the margins to center stage in the early months of the pandemic. Among consumers surveyed by **McKinsey** in early June, as shutdown restrictions were beginning to ease, **92%** reported that their use of curbside pickup had increased. Among these consumers, **47%** said they intended to continue using the service once the COVID-19 situation subsided.

BOPIS BY THE NUMBERS

30% TO 40%

30% to **40%** of consumers who choose BOPIS purchase additional items when they get to the store.

SOURCE: FORRESTER RESEARCH

10% TO 15%

BOPIS customers that purchase additional items at the store spend an average of **10%** to **15%** more than their original order.

SOURCE: GARTNER SUPPLY CHAIN RESEARCH

By the end of 2019,

78%

88%

78% of consumers had used BOPIS

88% of those who had not used it were interested in trying
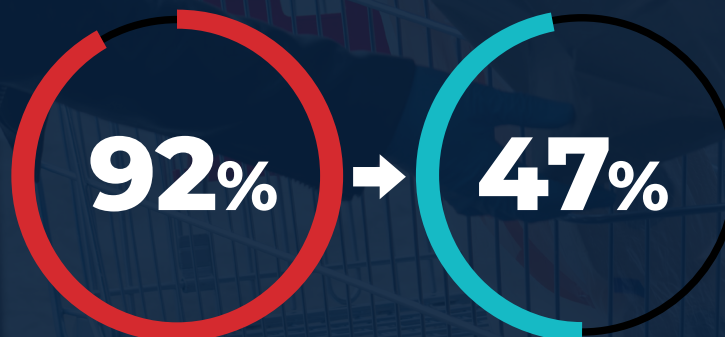
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43% had used curbside pickup (BOPAC)

81% of those who had not used it were interested in trying

SOURCE: NRF *WINTER 2020 CONSUMER VIEW*

By early June 2020, **92%** of consumers reported that they had increased their use of curbside pickup during the pandemic

92% → **47%**

47% of those consumers said they intended to continue using the service

SOURCE: MCKINSEY & CO.

FOR HOLIDAY SUCCESS, RETAILERS MUST MEET RISING CUSTOMER EXPECTATIONS AROUND BOPAC

Nikki Baird, VP of Retail Innovation at Aptos Retail, spoke with *Retail TouchPoints* about why buy online, pick up at curbside (BOPAC) services — also known as contactless curbside pickup — will be critical to meeting consumer expectations during the Q4 2020 holiday shopping season, and how retailers can scale up quickly to meet that demand.

Retail TouchPoints (RTP): Retailers and analysts have been talking about becoming omnichannel for years. What has stopped most of them from actually doing it?

Nikki Baird: Many retailers told us they were reluctant to invest in buy online, pick up in-store (BOPIS) and BOPAC services because they didn't see the ROI. But the value doesn't come from one use case. There are potentially **35** different omnichannel use cases, and the revenue gains and margin management come from developing a portfolio that meets the full range of customer demand.
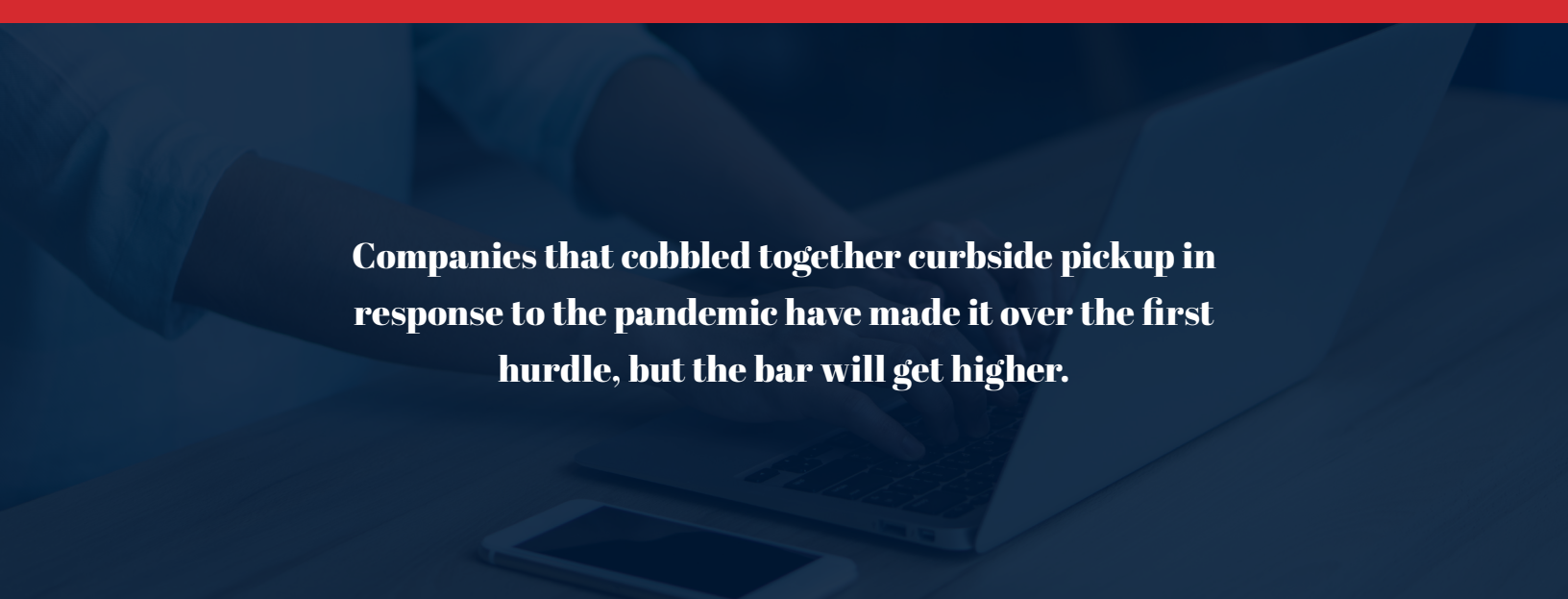
RTP: When COVID-19 changed the equation, making online ordering with contactless curbside pickup the perfect solution, how were retailers that hadn't yet implemented BOPAC able to handle it?

Baird: A lot of retailers used a hacker mentality to get started. That worked because consumers understood that this was an unprecedented situation. They were inclined to be forgiving in the beginning, but their expectations have risen. To get the highest level of sales and profit for the rest of the year, retailers must formalize and automate processes so that they can provide a flawless, contactless click-and-collect experience at scale.

RTP: The Q4 holidays are make-or-break for many retailers because they took a massive hit in Q2. Will consumers be willing to go back to stores in a few months, or will curbside pickup remain essential?

Baird: There are so many uncertainties as we approach the holidays this year, but one thing is clear: Retailers that can execute quick, safe and customer-friendly BOPAC services in Q3 and Q4 will retain consumer trust — and gain market share.

Time is of the essence, but retailers don't have to implement BOPAC on their own. With our Quick Start program, specially designed to meet dynamic customer needs during the pandemic, a retailer can be up and running in a matter of weeks. Buy online, ship from store can be implemented at the same time.

> **Companies that cobbled together curbside pickup in response to the pandemic have made it over the first hurdle, but the bar will get higher.**

SCALING CLICK-AND-COLLECT FOR A CRITICAL Q4

Barring the near-miraculous development of a COVID vaccine that is available by fall, **research indicates** that most consumers will remain cautious about entering retail stores for the remainder of the year — meaning click-and-collect will remain disproportionately important to retailers' success in Q4. While the fourth quarter is always critical, it could be the ultimate make-or-break holiday season for some organizations after devastating performances during Q2.

According to **Adobe's 2019 Holiday Recap** report, BOPIS revenue was up **35%** year-over-year, on average, for the 2019 holiday season. In the seven days leading up to Christmas, BOPIS hit its peak with a **55%** revenue spike. "Given the behavioral changes we've seen with COVID-19 and the acceleration towards omnichannel that was happening previously, we should expect at least that much jump in buy online, pick up at store for 2020," Baird said.

Companies that cobbled together curbside pickup in response to the pandemic have made it over the first hurdle, but the bar will get higher. Customers who tolerated some glitches with curbside pickup or BOPIS will become increasingly discerning as click-and-collect evolves from novelty to habit. Retailers that have been laying the click-and-collect groundwork for years will be honing that edge as more customers come through, turning up the competitive heat on the novices.

Retail TouchPoints has identified five strategies that can help retailers contain operating costs and protect margins while continuing to offer these popular programs:

- **Optimize inventory management** throughout the supply chain
- **Rethink staffing** in light of new traffic patterns
- Double down on **data**
- Leverage **dark stores**
- **Accelerate timelines** for testing and implementation

> ## "If you want to maximize margin, you should have one pool of inventory and not multiple pools."
>
> - RODNEY SIDES, DELOITTE

OPTIMIZE INVENTORY MANAGEMENT THROUGHOUT THE SUPPLY CHAIN

Retailers have aspired to become truly omnichannel for years, meaning that there would be no separation between digital and physical commerce. However, silos within the supply chain have been the most difficult to crack because they intersect product buying and ordering, transportation, vendor and third-party relationships, and the movement of inventory from manufacturing to the customer — and sometimes back to the retailer in a return.

To optimize the revenue opportunities of click-and-collect, the ideal situation is to achieve end-to-end visibility across the entire supply chain, product by product.

"If you want to maximize margin, you should have one pool of inventory and not multiple pools," said Rodney Sides, Vice Chairman and leader of the US Retail & Distribution practice for Deloitte in an interview with *Retail TouchPoints*.

For BOPIS and BOPAC, inventory management challenges at the store level can be disastrous for picking efficiency. It's vital for retailers to know not only how many items are in-stock, but where any given item is located at any given moment. So even though inventory management systems can track an item, they can't outwit the customers in the stores.

"The consumer will come in, pick up an item in the far right of the store and put it down on the left side, leaving it stranded," Sides said. Recovery takes time that associates don't have when they're trying to fill an order for pickup and the customer is on her way. "The operational side of the house has to work really efficiently to make sure things get back to the right place as quickly as possible," he noted.

Although retailers have been deterred from deploying click-and-collect by the difficulty of knowing the exact status of their in-store inventory, Baird pointed out that they don't have to strive for perfection — which they'll never achieve. "You can structure the way you share your inventory to cover up the sins of your lack of inventory accuracy," she noted.

> **"Any mature workforce management system has built-in analytics and tracking capabilities. Use back-to-school as a test case to predict customer flows for the holidays."**
>
> - TREVOR WHITE, NUCLEUS RESEARCH

RETHINK STAFFING IN LIGHT OF NEW TRAFFIC PATTERNS

"Retailers have incredibly tight budgets for labor, so they can't necessarily expand the store staff," said Trevor White, an Analyst who specializes in workforce management at Nucleus Research in an interview with *Retail TouchPoints*. If more customers are at curbside, there should be lighter traffic inside the store, but retailers still must have enough associates working to deal with traffic spikes both inside and outside.

Using appointment systems to manage curbside and in-store pickups can help retailers regulate the flow of customers, and they also can provide another source of data as well as valuable customer information. However, such solutions need to be tightly integrated with other systems, including inventory and order management as well as customer and associate communications.

These complexities mean retailers must lean on near-real-time analytics. "Normally retailers use historical data to plan labor demand, but we're in an unprecedented time," White said. "Any mature workforce management system has built-in analytics and tracking capabilities. To help you scale in an efficient manner, pore over that data over the next two months to identify patterns. Use back-to-school as a test case to predict customer flows for the holidays," he suggested.

With COVID-19, retailers also will be responsible for preventing infection spread among employees, which will be more difficult if multiple people are crammed into a back room assembling click-and-collect orders, White noted. While this will be hard to manage, it will be essential to safe operations.

One final tip: Evaluate your store staffs this summer. With many retail workers unemployed, retailers can bring in people with the expertise needed for click-and-collect and train them now. As the holidays get close, the best people will be hired quickly. Although bringing on staff before they're absolutely needed is unconventional, the best people are worth one and a half or two ordinary workers, White said.

> *"You can drive curbside customers toward higher-margin versions of commonly purchased products."*
>
> - TOM ENRIGHT, GARTNER SUPPLY CHAIN RESEARCH

DOUBLE DOWN ON DATA

Historical data is practically useless in 2020, so retailers need to obsess over analytics to identify trends before the holiday season. "You need to be piloting click-and-collect models. You need to be piloting delivery models," Osburn said. "Test and measure every aspect of operations so you can put together a comprehensive strategy to respond to the need-it-now customer versus the replenishment customer. Use analytics to determine the technology you will need."

Fulfilling online orders in-store or at curbside is more expensive than having orders picked and brought to the POS by customers in the store, but in most cases it is still less expensive than traditional shipping of e-Commerce orders to customers' homes. Because the mix of pickup and delivery can change unusually quickly during the pandemic, retailers must be more diligent than ever about trimming costs and preserving margins, and analyzing data is the key.

Enright pointed out that surprising insights can have big payoffs. "Curbside has an appeal for certain products, but almost no appeal for others," he said. For example, **one retailer found that curbside customers tended to buy larger-size packages because they would be delivered to their cars**. "Once you know that, you can drive curbside customers toward higher-margin versions of commonly purchased products," Enright added.

> **"Retailers have much better control of inventory when there are no customers in the stores and they're much more efficient in terms of labor."**
>
> - STEVE OSBURN, ACCENTURE STRATEGY

LEVERAGE DARK STORES

Analysts agree that using "dark stores" to fulfill click-and-collect orders is one of the best ways to control costs. "During the pandemic, retailers often had access to stores that were closed to the public," said Osburn. "Longer-term, they could stand up small distribution centers. **Retailers have much better control of inventory when there are no customers in the stores and they're much more efficient in terms of labor."**

A dark store also can serve as an order pickup point for consumers. "If everyone is placing orders online to pick up at a store, there is no need for the physical store to be open to the public," said Forrester's Witcher.

In ordinary times, a dark store is not typically a cost-effective option for fulfillment because the cost of rent in malls and high-traffic locations is high, according to Deloitte's Sides. But the calculation is different if a store isn't attracting customers due to the pandemic. "The retailer is tied into paying the rent, so they might as well leverage it," he said.

"Some retailers were late to the table with click-and-collect, but they're setting up capabilities now for five years out."

- STEVE OSBURN, ACCENTURE STRATEGY

ACCELERATE TIMELINES FOR TESTING AND IMPLEMENTATION

The pandemic has accelerated retailers' timelines for improving their omnichannel capabilities. "What would have been on a retailer's five-year plan is now set for next year, and the 10-year horizon is now set for implementation within three to five years," said Osburn. "Some retailers were late to the table with click-and-collect, but they're setting up capabilities now for five years out."

Although no one knows what percentage of brick-and-mortar shoppers won't return to physical stores, either because of safety concerns or delight with online services, "there will be fewer customers in stores," Osburn predicted.

"The retailers' challenge is to figure out what they want their organization to be in the future," Sides said. "They can't be all things to all people. They have to let go of some businesses, even if they're high-margin, because they have to be where the consumer is going."

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