STORES BECOME LAST MILE STAGING GROUNDS AS RETAILERS PURSUE CONVENIENCE
While the pandemic is finally coming to an end, the way it forever altered shopper behavior remains clear: shoppers expect a seamless experience from site to store, and retailers are continuing to experiment with the best ways to deliver on this need.

Now that omnichannel has become a well-established part of retail, companies are managing operations in more mediums than ever before. One of the major stories of the past several years is the rise of social commerce, where 60% of retailers have seen revenue rise somewhat or significantly. This isn’t coming at the expense of more traditional channels, either — 65% of companies reported growth through their own corporate sites.

This 2022 Omnichannel and Fulfillment Benchmark Report, based on a survey of 110 retail executives, provides a look at how companies are investing to grow their presence in new channels while perfecting their value proposition in existing areas. It tells a story of modern omnichannel excellence — building on successes while eliminating pain points across all channels.

5 Key Takeaways

1. **Stores are continuing their role as important last mile staging points**, but the share of retailers using distribution centers as the last location prior to delivery dropped to 31% from 49%.

2. Loyalty programs and multiple fulfillment options were key omnichannel branding strategies, selected as being among the top differentiators by 43% and 42% of respondents, respectively.

3. **Turning to marketplaces** is a way for retailers to bolster their customers base — 49% of marketplace-using respondents noted that participating in one led to greater exposure for the brand.

4. A majority of retailers, 58%, cited **rising shipping costs as a key challenge**, which has led to experimentation with a variety of solutions.

5. **Managing returns** is a recurring challenge that can cut into omnichannel profits, and 58% of respondents noted that the costs associated with handling returns is top-of-mind.
Over the past year, which of the following digital services and experiences have you added to create a seamless omnichannel brand experience?

<table>
<thead>
<tr>
<th>Service/Experience</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phone/text chats with store associates</td>
<td>49%</td>
</tr>
<tr>
<td>Messaging apps</td>
<td>44%</td>
</tr>
<tr>
<td>Virtual appointments with salesperson/stylist</td>
<td>30%</td>
</tr>
<tr>
<td>Livestreaming events</td>
<td>28%</td>
</tr>
<tr>
<td>AI/machine learning-powered chatbots</td>
<td>19%</td>
</tr>
<tr>
<td>Commerce experiences in a gaming/metaverse platform</td>
<td>14%</td>
</tr>
<tr>
<td>Online fitting guides for apparel, footwear, etc.</td>
<td>11%</td>
</tr>
<tr>
<td>NFTs with physical world counterparts</td>
<td>10%</td>
</tr>
<tr>
<td>Other</td>
<td>9%</td>
</tr>
<tr>
<td>AR fit solutions</td>
<td>4%</td>
</tr>
</tbody>
</table>
Please indicate how much the following channels’ annual revenue has increased or decreased over the past 12 months.

<table>
<thead>
<tr>
<th>Channel</th>
<th>Increased</th>
<th>Somewhat</th>
<th>Decreased</th>
<th>Significantly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online – company website</td>
<td>33%</td>
<td>32%</td>
<td>8%</td>
<td>1%</td>
</tr>
<tr>
<td>Online – social commerce</td>
<td>33%</td>
<td>27%</td>
<td>6%</td>
<td>2%</td>
</tr>
<tr>
<td>Ecommerce marketplace</td>
<td>31%</td>
<td>19%</td>
<td>8%</td>
<td>2%</td>
</tr>
<tr>
<td>Brick-and-mortar store</td>
<td>30%</td>
<td>20%</td>
<td>15%</td>
<td>5%</td>
</tr>
<tr>
<td>Mobile website or app</td>
<td>26%</td>
<td>24%</td>
<td>7%</td>
<td>2%</td>
</tr>
<tr>
<td>Voice Commerce</td>
<td>15%</td>
<td>15%</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>Wholesaler/distributor</td>
<td>12%</td>
<td>17%</td>
<td>7%</td>
<td>2%</td>
</tr>
<tr>
<td>Catalog</td>
<td>11%</td>
<td>13%</td>
<td>6%</td>
<td>4%</td>
</tr>
</tbody>
</table>
### Which channels do you currently conduct business in?

<table>
<thead>
<tr>
<th>Channel</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online – company website</td>
<td>66%</td>
</tr>
<tr>
<td>Brick-and-mortar store</td>
<td>61%</td>
</tr>
<tr>
<td>Online – social commerce</td>
<td>46%</td>
</tr>
<tr>
<td>Mobile website or app</td>
<td>39%</td>
</tr>
<tr>
<td>Ecommerce marketplace</td>
<td>29%</td>
</tr>
<tr>
<td>Wholesaler/distributor</td>
<td>20%</td>
</tr>
<tr>
<td>Call center</td>
<td>18%</td>
</tr>
<tr>
<td>Online – subscription commerce</td>
<td>7%</td>
</tr>
<tr>
<td>Voice commerce</td>
<td>5%</td>
</tr>
<tr>
<td>Catalog</td>
<td>3%</td>
</tr>
</tbody>
</table>
The importance of minimizing delivery costs — particularly in an inflationary environment — can be seen in how retailers are managing their last mile inventory. More than half (56%) are utilizing live stores as the final location to store inventory prior to delivery, down only slightly from the 60% that reported doing so in 2021. Additionally, usage of distribution centers dropped to 31% in the 2022 survey compared to 49% in 2021, while 24% of retailers now use third-party locations such as storage lockers, compared to just 18% last year.

The emphasis on convenient last mile options like stores and lockers speaks to the importance of providing a seamless customer experience across all channels, which a full 50% of respondents cited as one of their top three strategic business objectives. This objective was followed by acquiring new customers (45%) and improving customer retention (36%), both of which are enhanced by convenient last mile options.

The inflationary environment also has made the bottom line a key concern, and maximizing the value of the brick-and-mortar store footprint (34%) is one way omnichannel operations can improve profitability. Retailers also are looking to build on their recent ecommerce growth (33%) and make their fulfillment services more cost-effective (29%).

**What are the final locations/facilities where you store inventory prior to delivering to customers?**

- Active physical stores: 56%
- Distribution centers: 31%
- Third-party locations (storage lockers, non-store pickup points, etc.): 24%
- Microfulfillment centers: 16%
- Dark stores: 16%
- Other: 12%
Managing omnichannel services can be a difficult endeavor even for larger retailers, but the payoff is worth it. Nearly half (47%) of respondents cited improved customer service as one of the most valuable ways that omnichannel has improved their business. The technology also has helped with benefits as varied as marketing effectiveness (37%) and inventory optimization (36%).

Maintaining strong omnichannel operations also can help retailers hold on to shoppers during a period of waning loyalty due to deal-seeking habits. One-third (33%) of respondents saw increased customer engagement with their brands as a result of their omnichannel strategy, while 26% experienced improved loyalty and customer retention.

### What are the most important strategic business objectives of your company's omnichannel strategy?

<table>
<thead>
<tr>
<th>Objective</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Providing a seamless customer experience across all channels</td>
<td>50%</td>
</tr>
<tr>
<td>Acquiring new customers</td>
<td>45%</td>
</tr>
<tr>
<td>Improving customer retention</td>
<td>45%</td>
</tr>
<tr>
<td>Maximizing the value of brick-and-mortar store footprint</td>
<td>34%</td>
</tr>
<tr>
<td>Building on recent ecommerce growth</td>
<td>33%</td>
</tr>
<tr>
<td>Making fulfillment services more cost-effective for the business</td>
<td>33%</td>
</tr>
<tr>
<td>Reacting more quickly to business/market changes</td>
<td>29%</td>
</tr>
<tr>
<td>Optimizing inventory assets</td>
<td>28%</td>
</tr>
<tr>
<td>Implementing more tangible sustainability actions</td>
<td>28%</td>
</tr>
<tr>
<td>Localizing assortments/services</td>
<td>12%</td>
</tr>
<tr>
<td>Gathering more first-party data about customers</td>
<td>10%</td>
</tr>
<tr>
<td>Creating personalized 1:1 interactions with customers</td>
<td>5%</td>
</tr>
<tr>
<td>N/A no appreciable improvements</td>
<td>6%</td>
</tr>
</tbody>
</table>

### What are the most valuable ways your omnichannel strategies have improved your business?

<table>
<thead>
<tr>
<th>Business Objective</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved customer service</td>
<td>47%</td>
</tr>
<tr>
<td>Improved marketing effectiveness</td>
<td>37%</td>
</tr>
<tr>
<td>Improved inventory optimization</td>
<td>35%</td>
</tr>
<tr>
<td>Increased customer engagement with brand</td>
<td>33%</td>
</tr>
<tr>
<td>Improved loyalty/customer retention</td>
<td>26%</td>
</tr>
<tr>
<td>Improved supply chain efficiency</td>
<td>21%</td>
</tr>
<tr>
<td>Increased conversions and/or basket size</td>
<td>20%</td>
</tr>
<tr>
<td>Improved Customer Lifetime Value (CLV)</td>
<td>18%</td>
</tr>
<tr>
<td>Improved employee satisfaction/retention</td>
<td>10%</td>
</tr>
<tr>
<td>N/A no appreciable improvements</td>
<td>6%</td>
</tr>
</tbody>
</table>
Tax is a critical, yet often overlooked piece of the frictionless commerce puzzle — and getting it right is more than just multiplying the price by a percentage. Delayed, inaccurate, or misleading sales tax calculations can lead to cart abandonment — and a customer lost. Here are four reasons to automate your tax processes to ensure that tax is not a barrier to purchase.

**It ensures a unified experience across all buying channels**
Today customers can buy anything, anywhere and it’s common to see multiple channels within the same transaction. You need to ensure that when a customer purchases a product on your mobile app and then purchases that same product at one of your store locations, they are charged the same tax rate. Tax calculation gets even more complicated with online marketplaces where third parties are involved.

**It allows you to better handle seasonal peaks in volume**
Peak times like Black Friday and Cyber Monday used to be predictable. But now, with things like supply shortages and shipping delays, the holiday shopping season is starting earlier, and more people are shopping online. This means peak times can be almost any time of year. You must be able to easily adapt to volume changes including calculating tax quickly.

**It provides a way to stay on top of constantly changing tax rates and regulations**
On a monthly basis there are hundreds of simple tax rate changes, however there are often new taxes popping up. For example, certain jurisdictions have a mattress recycling fee, a disposable bag fee, or an environmental fee. These nuances are endless. Adding further complexity are sales tax holidays. You need to monitor these regulations and adjust your tax rates as needed.

**It helps to effectively manage tax rates for returns**
Merchandise returns can cause a lot of challenges if you don’t have a solid process. For example, you may need to calculate tax on a merchandise return on a purchase 60 days ago. This requires you to have visibility into what the tax rate was at that time and what changed in between. If the customer can’t be refunded the current rate you might be overpaying or underpaying.

With improved speed and accuracy, you can ensure compliance and better support business growth. Discover how you can make tax calculation easier through automation by contacting Vertex today.

"With Vertex, we now have the latest tax configurations at our fingertips and the ability to access, analyze, and manage the data for tens of millions of transactions each month."

Brian McLaughtlin, Senior Manager, Indirect Taxes Redbox Automated Retail, LLC
BRAND-BUILDING TAKES MANY PATHS, FROM LOYALTY TO SUSTAINABILITY

Now that omnichannel offerings have become the baseline expected of all retailers, merchants need to find additional ways to stand out. The top tools for this task were loyalty programs (43%), multiple ordering and delivery options (42%) and personalized offers and communications (35%).

Convenience also is a common theme, as seen in the number of retailers that cited free shipping (32%) and cross-channel inventory availability (31%). Some of the more cutting edge technologies in use include digital goods and skins (20%), gaming and metaverse experiences (14%) and livestreaming (12%).

Commitment to sustainable practices was among the top components of an omnichannel brand strategy at 31%, and there are a number of paths retailers can take to achieving this goal. The most common strategy was encouraging scheduled or consolidated deliveries (41%), which also makes sense given the current economic pressures — it carries the benefit of reducing overhead costs. Another 32% are utilizing batch processing to reduce the number of deliveries.

Additionally, 38% of respondents are investing in sustainable sourcing and product development. Third parties also are playing a role, with 29% of retailers turning to sustainable packaging services as a way to reduce their impact on the planet.

How are you investing in sustainability across the value chain?*

- Encouraging scheduled/consolidated deliveries: 41%
- Investing in sustainable sourcing and product development: 38%
- Batch processing orders to reduce number of deliveries: 32%
- Sustainable packaging services: 29%
- Bigger emphasis on BOPIS/curbside pickup: 29%
- Using electric vehicles: 12%
- Resale/rental or repair offering: 12%
- Rolling out repair services: 9%

*Among those committing to sustainable practices.
Marketplaces Help Brands Build Their Audiences

Marketplaces can be a way for retailers that lack a strong digital backbone to get in front of a wider audience, as seen by the 49% of marketplace-using respondents that cited greater exposure for the brand as one of the top benefits. Nearly as many, 47%, cited marketplaces’ ability to provide access to a wider customer base.

However, even well-established online retailers can benefit from marketplaces — 29% of respondents noted that their customers already seek them in these places. Marketplaces also offer new opportunities for retailers to gather data (28%) and help reduce some of the logistical effort of the last mile (28%).

What are the benefits of selling products through a marketplace?

- Greater exposure for brand: 49%
- Access to a wider customer base: 47%
- My customers already look for me there: 29%
- New opportunities to gather data: 28%
- Removes some of the logistical effort: 28%
- Faster/more cost-effective shipping: 21%
- N/A, we don’t sell on or operate a marketplace: 16%

*Among those selling through a marketplace.

What are the most important components of your omnichannel brand strategy?

- Loyalty program: 43%
- Multiple ordering/delivery options (BOPIS, etc.): 42%
- Personalized offers/communications: 35%
- Free shipping: 32%
- Commitment to sustainable practices: 31%
- Cross-channel inventory availability: 31%
- Coordinated use of influencers: 23%
- Digital goods and skins: 20%
- Gaming and metaverse experiences: 14%
- Marketplaces: 14%
- Livestreaming/Live shopping: 12%
- Installation and break/fix services: 5%
THE POWER OF RETAIL DATA ANALYTICS: INCREASE SALES AND IMPROVE OPERATIONS

Retail Data Analytics refers to the analysis of information like customer behavior, store performance, inventory and other retail data to uncover patterns and trends. Insights from AI-powered analytics allow retailers to make smarter decisions to boost sales and improve operations.

McKinsey reported the following benefits from apparel retailers that implemented analytics applications:

- Growth in sales (4%-5%);
- Growth in digital sales through marketing and personalization (30%);
- Decreased inventory costs (10%-15%); and
- Decreased churn among high-performing staff (50%).

Though McKinsey’s research focused on a specific segment of retail, it’s clear that analytics can help solve operational problems and uncover opportunities. Here are three ways retailers can use analytics to increase sales and improve operations.

Personalize CX and Marketing

Personalization is critical for building customer loyalty and influencing conversion. Retailers can personalize customer experiences by using data to segment audiences. Audience segments often start with demographics (e.g., age range), but should include buyers’ actions such as website visits or recent purchases.

Using customer data and analytics, retailers can achieve the desired outcome by customizing promotions based on their audiences’ journey stages, e.g. targeting new prospects with educational content while offering loyalty memberships to existing customers.
Optimize Logistics and Supply Chain Operations

Retail data analytics can help retailers optimize their logistics and supply chain from a few angles:

- Preventing supply issues by mitigating supplier risk such as delayed shipments, order fulfillment errors, and compliance issues.
- Planning strategic delivery routes to streamline logistics by analyzing information like weather, driver schedules and fleet data.
- Managing inventory with accurate forecasts based on analyses of inventory turnover ratio, behavioral trends, sales performances and more.

Price Management

Retail prices need to strike a balance between staying competitive and making a profit. Analytics empower brands to make data-driven pricing decisions for different channels, audiences and seasons. Advanced analytics enable retailers to factor in broader variables like industry predictions, competition and historical performance to determine the right pricing strategy.

In summary, retail data analytics can help boost sales and improve operations. Retailers can use analytics to personalize CX and marketing, optimize logistics and supply chain and implement the right pricing strategies.

Power Retail Data Analytics With Treasure Data

More data means better analytics and better decisions. Treasure Data’s enterprise-grade customer data platform (CDP) collects and centralizes data from all sources, unifies profiles and analyzes journeys to surface hidden customer behavior trends.

To learn more about the Treasure Data Customer Data Cloud, ask us today.
RETAILERS ARE INVESTING MORE IN STORE-BASED FULFILLMENT

Omnichannel operations require a strong fulfillment network to run smoothly, and store-based fulfillment has its own full set of strategies to maximize efficiency without interrupting day-to-day operations. The most common solutions were hiring dedicated staff for product picking (65% use now, with 20% planning to add in the next 12 months) and setting aside dedicated space for order prep (60% use now, 24% plan to add). These are up slightly from 2021 levels, when 60% of retailers had dedicated staff and 53% had dedicated space. Both these additions can be valuable for meeting high customer standards.

“Regardless of where it’s shipped from, whether that’s a distribution center or warehouse but especially from an active physical store, we consistently see that product packaging is absolutely paramount for last mile operations,” said Shawn Swaney, Associate Director, Client Development at Bizrate Insights in an interview with Retail TouchPoints. “Because at the end of the day, the customer doesn’t quite care where it comes from. They just want to know that it arrives to their intended destination safely and it is exactly what they expect. If it shows up broken or if it shows up damaged, they’re going to be upset.”

Many retailers also use third-party picking services such as Instacart — 45% do so currently and 21% plan to add this capability. Usage of these companies was much higher than last year, when just 22% used them and 23% were planning to tap into their services in the future.
Notably, many orders are being fulfilled in ways other than delivery. Only 25% of respondents said that 51% or more of their products were delivered to homes or offices (versus picked up or purchased in-store or at curbside). Nearly one quarter (23%) of retailers said they deliver less than 10% of purchases.

### Which store-based fulfillment solutions do you use?

- **In-store staff assigned to product picking/order prep**
  - Use now: 65%
  - Plan to add in next 12 months: 20%

- **Dedicated space for order prep**
  - Use now: 60%
  - Plan to add in next 12 months: 24%

- **Third-party product picking services, e.g. Instacart**
  - Use now: 45%
  - Plan to add in next 12 months: 21%

- **Curbside pickup**
  - Use now: 43%
  - Plan to add in next 12 months: 24%

- **Microfulfillment centers attached to customer-facing stores**
  - Use now: 29%
  - Plan to add in next 12 months: 28%

- **BOPIS**
  - Use now: 25%
  - Plan to add in next 12 months: 21%

- **Unattended solutions (e.g. automated lockers)**
  - Use now: 20%
  - Plan to add in next 12 months: 26%

- **Dark stores**
  - Use now: 19%
  - Plan to add in next 12 months: 21%
The most significant last mile challenge cited by retailers was rising shipping costs, at 58% — unsurprising given inflationary pressure but lower than the 68% that cited it in 2021. The management of delivery and fulfillment logistics also was a major concern at 46%, down from 64% last year.

While greater consumer comfort with online ordering in recent years has been a boon, it also has provided challenges as competition grows. A full 40% of retailers cited customer expectations around free and low-cost shipping as one of their top challenges, and another 38% felt the same pressure around delivery times.

Third parties can help retailers alleviate some of these pressures. The most commonly used options were courier services such as FedEx (45%), third-party delivery partners such as DoorDash (29%) and drop shipping items directly from the supplier (26%).

However, not all retailers outsource their last mile services — 10% don’t do so but plan to begin using these options in the future, while 16% have no plans to turn to third parties.
Technology also is playing an important role in helping retailers keep up with shoppers’ demands. The two biggest technology solutions selected by retailers were transportation management solutions (used by 41% of retailers, with 24% planning to adopt within 12 months) and route optimization systems (used by 40% of respondents, with 24% planning to adopt). Both of these technologies saw significant upticks from last year’s survey — usage of transportation management is up from 30% in 2021, and usage of route optimization is up from 20%.

Several of the top technologies are designed to help retailers keep track of packages in transit. Another 32% of retailers use mobile device monitoring of delivery people, 28% use vehicle monitoring technology and 25% use RFID on products and packaging.

Autonomous delivery options are still being used by a relatively small share of retailers, with 13% using land-based robots, another 13% using drone delivery and 7% using autonomous cars.

What elements of last mile service do you outsource to third parties?

- Courier/delivery services (e.g. FedEx, UPS, USPS) - 45%
- Returns management - 19%
- Third-party delivery partners (e.g. Deliv, DoorDash, Instacart) - 29%
- We don’t outsource any last mile services - 16%
- Drop ship items directly from suppliers - 26%
- Product delivery/setup (e.g. appliances, furniture) - 16%
- Customer service/call center - 23%
- Product repair/service - 13%
- We don’t outsource today, but plan to in the near future - 10%
Which of these technologies do you use to manage your last-mile activities?

<table>
<thead>
<tr>
<th>Technology</th>
<th>Use Now</th>
<th>Plan to add in next 12 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation management solution</td>
<td>41%</td>
<td>24%</td>
</tr>
<tr>
<td>Route optimization system</td>
<td>40%</td>
<td>24%</td>
</tr>
<tr>
<td>Mobile device monitoring of delivery people</td>
<td>32%</td>
<td>26%</td>
</tr>
<tr>
<td>Vehicle monitoring technology</td>
<td>28%</td>
<td>29%</td>
</tr>
<tr>
<td>RFID on products/packaging</td>
<td>25%</td>
<td>29%</td>
</tr>
<tr>
<td>Internet of Things (IoT) sensors</td>
<td>23%</td>
<td>34%</td>
</tr>
<tr>
<td>Algorithms to pre-position inventory close to expected demand locations</td>
<td>22%</td>
<td>26%</td>
</tr>
<tr>
<td>RFID on shipping containers</td>
<td>22%</td>
<td>25%</td>
</tr>
<tr>
<td>Land-based robotic (non-assisted) deliveries</td>
<td>13%</td>
<td>21%</td>
</tr>
<tr>
<td>Drone deliveries</td>
<td>13%</td>
<td>20%</td>
</tr>
<tr>
<td>Autonomous cars</td>
<td>7%</td>
<td>23%</td>
</tr>
</tbody>
</table>
Retail TouchPoints (RTP): 47% of respondents of respondents in our Omnichannel Benchmark Survey said their primary focus was improving customer service. What do retailers need to do to make the service experience seamless and pleasant across all commerce channels?

Shawn Swaney: Regardless of the channel, customers seek transparency and visibility around their shopping experience. Whether a customer purchases online or in-store, they want to be reassured in their purchase, and that the item that arrives will match their expectations from when they purchased. Online channels make this more difficult compared to in-store shopping, as you are relying heavily upon product descriptions, pictures, and customer testimonials/reviews to justify purchasing. Effective communication, transparency, and visibility across the omnichannel experience aid customer confidence throughout the purchase experience.

As it pertains to improving customer service, the most important facet is for a retailer to provide the preferred channel(s) for their customers. A retailer could have a robust chat and phone support process, but if their customers prefer email, then there is a disconnect in processes. Retailers should meet their customer’s desires and make the communication process as seamless as possible.

RTP: The majority of surveyed retailers are fulfilling orders through active physical stores. How is the increase in store-based fulfillment affecting last mile operations?

Swaney: Depending on last mile operations can truly be a feast or famine situation. There’s high risk and high reward here because these services, while they may streamline the process, may be the most visible to the customers. You’re able to get products to the customer faster, but you introduce additional places for errors or mistakes.

Increased reliance upon last mile operations may require additional work for the actual physical stores, especially around this time of year. Because associates are often overwhelmed this time of year, adding tasks and work to their plates introduces additional risk.
The most cited last mile challenge was rising shipping costs. How can retailers fight this hit against the bottom line without losing shoppers?

With budgets tightening and an ever changing economic landscape, both customers and retailers are especially conscious and sensitive about costs. The shipping process, especially for last mile operations, is nuanced, but is also the largest area for potential customer frustration if done incorrectly. Across the board, a constant focus on effective customer communication is vital.

As last mile operations become more prevalent, third party shipping and fulfillment companies are being relied upon more and more. A customer could have an absolutely perfect experience with the retailer, but a package being destroyed in transit will ruin the customer experience. Further, it’s not the shipper who will bear the responsibility, but the retailer. As a result, being mindful of the product packaging used and ensuring it is going to protect the product all the way through order fulfillment is especially important.

Fostering positive customer experiences and relationships can also be an effective way to ensure customer retention. There has been an increase in customer desire for loyalty programs that offer free or discounted shipping. Several retailers are also implementing a minimum spend to qualify for free shipping, of which the value can ebb and flow — within reason — to match both customer desires and retailer needs.

While it may seem counterintuitive, one of the best ways to help prevent rising shipping costs is to reduce the likelihood of product returns. Neither the customer nor the merchant wants to incur the cost of a potential return, so ensuring that the product meets customer expectations at order fulfillment is paramount. This can be tackled several ways, but often relies upon effective communication and product description.
THE COST OF RETURNS REMAINS A CHALLENGE

Returns represent a growing challenge, but retailers are working to keep them to a minimum. More than half (51%) of respondents reported a return percentage under 10%, while 21% said they experienced return rates ranging from 10% to 20%, and another 21% saw 21% to 30% return rates.

The costs of shipping and handling returns was the most common challenge cited by retailer respondents, at 58%, followed by the cost of inspecting returned items and reintegrating them into sellable inventory, at 53%, and the cost and logistics of providing refunds at 45%. The need to minimize fraudulent returns also represented a challenge for 46% of retailers.

What are your greatest challenges with regard to product returns?

- Cost of returns shipping/handling: 58%
- Cost of inspecting returned items and re-integrating them into sellable inventory: 53%
- Minimizing fraudulent returns: 46%
- The cost/logistics of having to credit shoppers’ accounts and/or provide refunds: 45%
- Communicating effectively with shoppers about returns rules and processes: 44%
- Ability to manage in-store staff requirements for processing returns: 33%
- Customer issues with packing and shipping items for return: 21%
METHODOLOGY

The 2022 Retail TouchPoints Omnichannel and Fulfillment Benchmark Survey is based on responses from 110 retail executives, collected via an online survey conducted in November 2022. Following are respondent breakdowns based on retail vertical and annual revenue:

**Retail Vertical:**

- Specialty hardgoods: 24%
- Department Store: 18%
- Specialty Softgoods: 16%
- Convenience Store: 8%
- Supermarket/Grocery: 7%
- Big Box: 6%
- Office Supplies: 4%
- Electronics: 4%
- Drug Store/pharmacy: 3%
- Other: 10%

**Annual Revenue:**

- Less than $50M: 61%
- $50M-$100M: 13%
- $100M-$500M: 15%
- $500M-$1B: 4%
- $1B-$5B: 3%
- More than $5B: 4%
bizrate insights

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Bryan Wassel, News Editor

Bryan covers the retail industry at large, with a focus on contextual marketing, technological innovation and omnichannel developments.