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Buy Online, Pick-Up in Store (BOPIS)- The new normal for retailers

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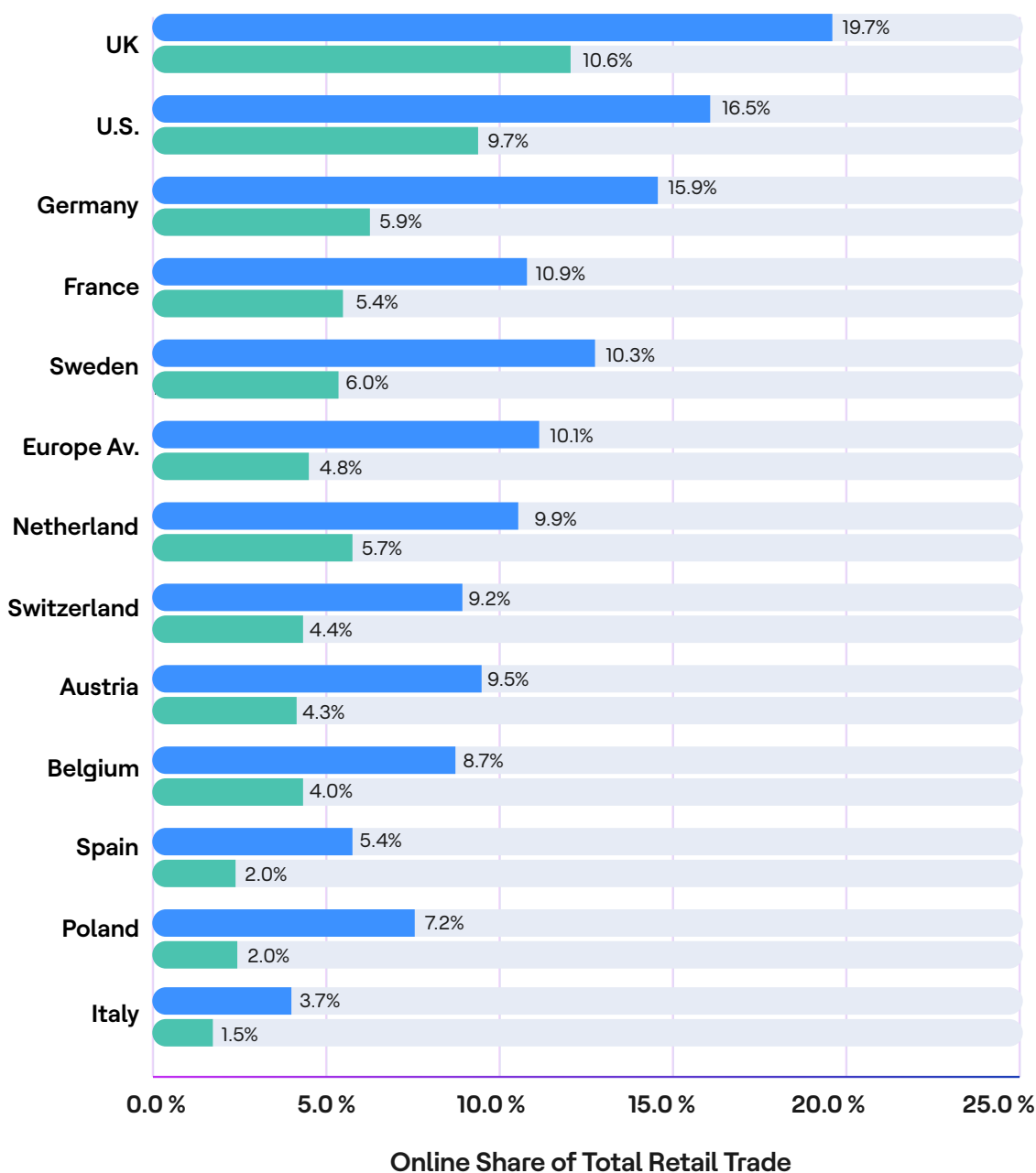
Evolution of E-commerce in stores

In the retail sector, the concept of an 'online-offline' shopping model in a brick-and-mortar store can be traced way back before the Amazon effect took the whole industry by storm.

E-commerce was introduced in multiple retail stores at a very nascent stage of the revolution in the retail sector. Blue Yonder [JDA] introduced its iseries/AS400-based merchandise management system which has the Module– SODA [Sales Order Desktop Application], specifically focusing on customer orders placed through web, processing the order through the in-built WMS application and then, shipping to the customer. Blue Yonder [JDA] also had its AWR [Advanced Warehouse Replenishments] and ASR [Advanced Store Replenishment]– one of its iseries/AS400 solutions for store forecasting and inventory replenishment.

Country	2019	2012
UK	19.7%	10.6%
U.S.	16.5%	9.7%
Germany	15.9%	5.9%
France	10.9%	5.4%
Sweden	10.3%	6.0%
Europe Av.	10.1%	4.8%
Netherland	9.9%	5.7%
Switzerland	9.2%	4.4%
Austria	9.5%	4.3%
Belgium	8.7%	4.0%
Spain	5.4%	2.0%
Poland	7.2%	2.0%
Italy	3.7%	1.5%

Online Share of Total Retail Trade

■ 2019
■ 2012

Percentage of total retail sales, excluding vacations, autos, gas and tickets. Europe (av) is the mean of the 11 countries

The concept of e-commerce in a brick-and-mortar model was new and the traditional in-store shopping still had the majority of market sales as the preferred customer choice. The Amazon boom was not anticipated back then.

Process flow architecture for e-Commerce order fulfilment – The DOT-COM Era

Going back to the times of the dot-com bubble, how did a retailer leverage the e-commerce process for shipping orders from the brick-and-mortar store to the customer? From an application stack, along with multiple Windows/Linux-based ERP solutions, few of the leading retailers in the USA still had their systems running on a robust IBM iseries technology also known as the AS400.

Some of the top customers were:
- One of the leading stationary retailers in the USA ~ Year 2007
- One of the leading online shopping marketplaces for brick-and-mortar brands ~ Year 2005
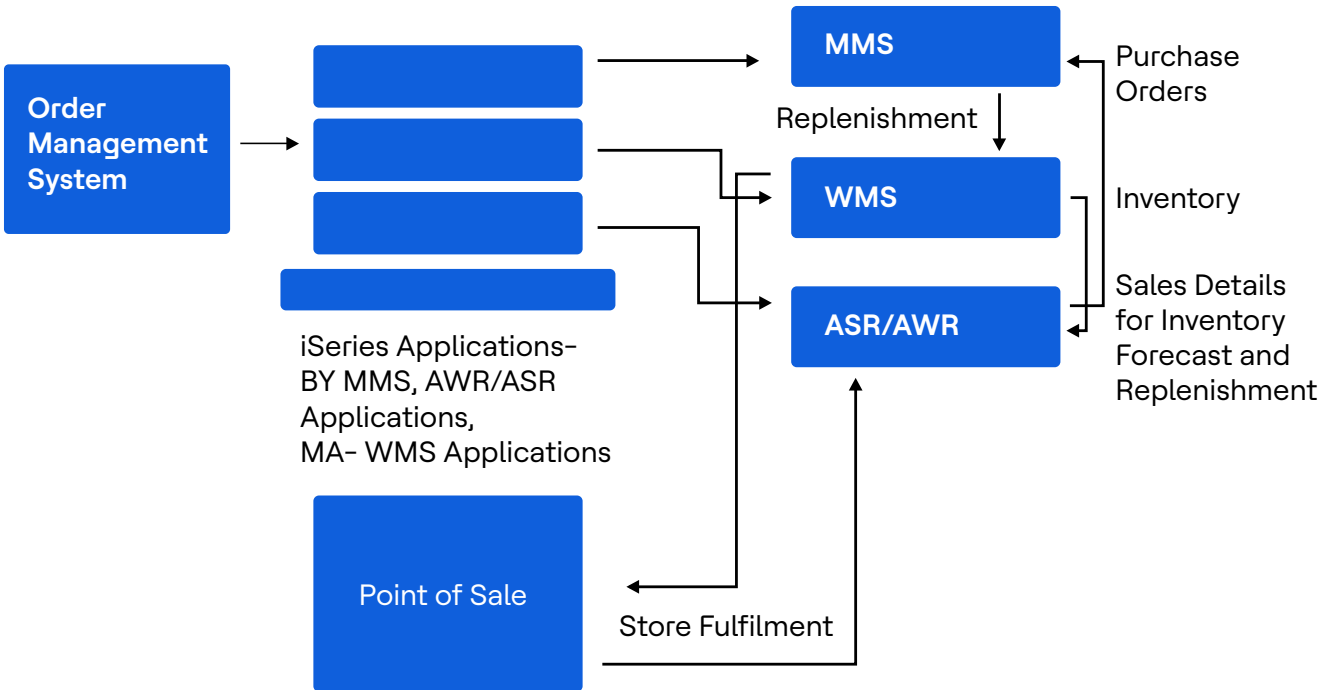
With every business innovation, there is always an entire industry which takes a note of meaningful change with the Amazon business model, it was time for brick-and-mortar retailers to reinvent their existing e-commerce model and adjust to the changes for survival in the business. With every challenge comes opportunities to explore and it was only a matter of time when retailers could identify the best of those existing yet unexplored opportunities around them and effectively adjust to the change.
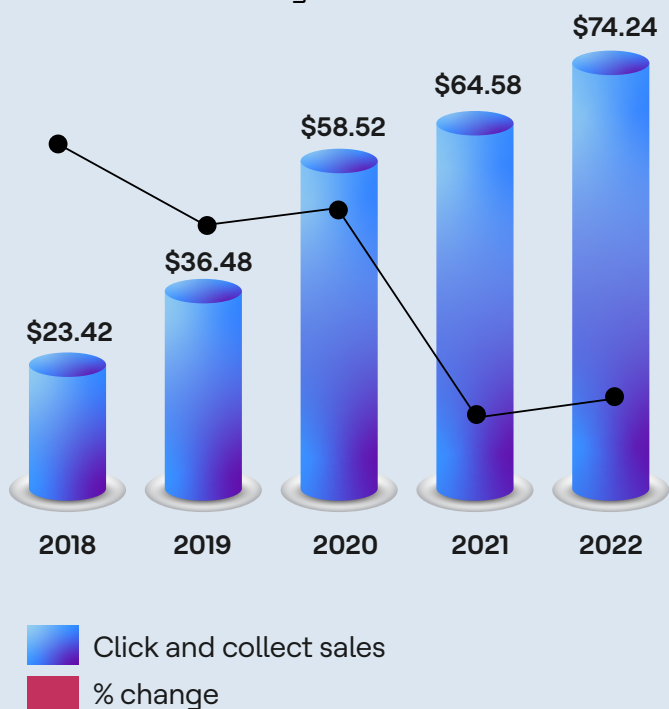
The key competitive differentiator to an online pure play vs a brick-and-mortar store is always the presence of a physical store with a 'touch and feel' customer experience. Traditionally, there has been an offline concept of shopping and since now, more customers are opting for online shopping, it was time to provide customers with a 'extended hybrid solution' of offline-offline shopping where orders are placed online but picked up from store, unlike previously, where they would be only shipped to a customer with an average lead time of 2-4 days.

Source: E-Marketeer

Customers do not have time to wait that long , specifically with so many online sellers promising a next-day delivery- so instead of shipping to the customer, the focus would need to be directed to 'pickup on the go'- cutting down a waiting time of 24 hours at least, as well as the effort on order tracking and tracing.

US Click and collect sales, 2018-2022

billionss and % change

- $23.42 — 2018
- $36.48 — 2019
- $58.52 — 2020
- $64.58 — 2021
- $74.24 — 2022

Legend:
- Click and collect sales
- % change

This boom was identified by retailers early on and the concept of Buy Online, Pickup in Store (BOPIS) was adopted although its true effect can be actually seen in the last 4-5 years. Nevertheless, this will be a long-term effective solution for any brick-and-mortar retailer to extend its e-commerce business with the least investment cost and higher margins on profits.
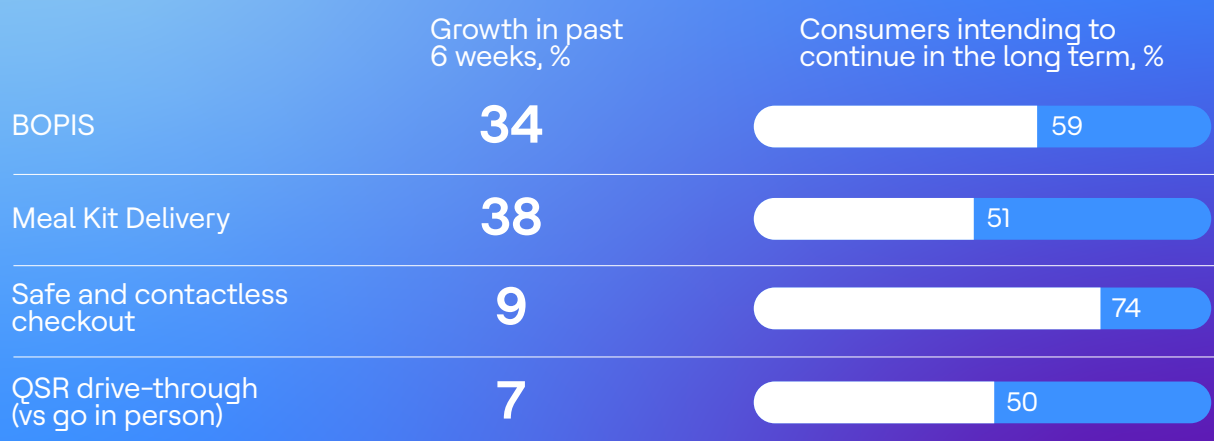
BOPIS- A win-win solution post the pandemic?

Over the last few years, there has been a slow but steady increase in customers opting for BOPIS. Retailers have been expanding and customising their physical locations to create efficient pickup processes for customers.

The year 2020 has created an unprecedented havoc in the global arena. This has shifted focus of the customers more from online based in-store shopping to an online mode [shipping/pickup] where there are fewer contact visits and a completely touchless delivery model.

But with so many online retail players already upfront with superior omnichannel solutions to provide doorstep delivery to customers, how do traditional retailers/stores survive this pandemic effect? How do they ensure their store sales does not get impacted and provide customers with best-of-the-breed '**safe and contactless**' solutions for store shopping?

Safe delivery modes are increasingly important to consumers - winning on 'SafeX' matters in digital and omnichannel.

	Growth in past 6 weeks, %	Consumers intending to continue in the long term, %
BOPIS	34	59
Meal Kit Delivery	38	51
Safe and contactless checkout	9	74
QSR drive-through (vs go in person)	7	50

Source: McKinsey Covid 19 US Consumer Pulse Survey, April 20-26, 2020, n=1,502, sampled and weighted to match US general population aged 18 years and over

Before the pandemic, BOPIS represented a very small percentage of the overall customers' choice for retail business. The pandemic turned the tables overnight. This has now become the primary sales volume for most retailers' businesses. In-store customer visits saw a complete shutdown with an immediate safe and contactless solution required in execution. For the stores to sustain their market sales, a Big Bang approach for BOPIS implementation was inevitable.

So, what would make this a survival strategy for traditional stores?

Customer benefits

Paradigm shift to personalized order fulfilment

Today, customers have more choices to shop from wherever they want. Since all choices eventually lead to a negligible lead time for delivery with free shipping taking more prominence, it all boils down to the degree of personalized experience of an order fulfilment for the customers to pick and choose the options they prefer on the go based on their convenience. BOPIS allows customers a high degree of flexibility to decide, pick and choose the location from where they would want to collect the delivery in a matter of few hours. This allows for a customized retail experience offering a sort of convenience that ensures customers keep coming back to stores, thereby increasing the overall footfall which saw a substantial decline with online big players coming into the market.

Increased need for 'Contactless Speed'

If customers need an item within a few hours, it is much faster to opt for BOPIS and collect the delivery rather than waiting for even one day more. Some retailers are also trying to explore the options of pickup lockers in front of the store to help BOPIS customers avoid lines and enjoy a quick visit. Locker systems provide greater expansion and flexibility to have a 24x7 pickup for customers. It provides customers to get orders fast and efficiently, customized to their schedules.

No shipping cost

With membership-based, free shipping, and same-day delivery options exclusive for members, it can be expensive for alternate customers to have items shipped to their doors with zero-fee shipping. An alternate customer can save both money and time by picking up their online order in-store, saving delivery costs and time.

With more discounts and options provided to any customers as a top-of to a BOPIS purchase, this strategy is a key differentiating factor for customers to come back to stores based on the flexibility of their schedules and distances for a hassle-free pickup option on the go.

Retailer benefits

Increase in footfall and additional purchases

Everytime a customer visits a store for only pickup, there is always an opportunity to sell more. Based on surveys, retailers chose to opt for BOPIS implementation as it also significantly attracted shoppers who would make additional purchases once they are at the store.

Hassle-free negligible return issues

Returns can be one of the biggest challenges with an additional cost overhead of item re-processing, repackaging, and sending back to the warehouse. BOPIS eliminates these overhead costs as a customer can always check the item befor takeaway and has the option and flexibility to return or replace rather than asking for a refund.

In-store incentives

Retailers have the opportunity to market more loyalty programs for buyers as they arrive at the store to pick up. This increases the conversion rate and average traction value from the initial purchase for which they came to the store.

90% shoppers who do click-and- collect sale make an extra purchase when they pick up in a store.

Source: RIS, "Shopper Megatrends Study"

Strategy and Implementation

How can retailers deliver an unparalleled BOPIS shopping experience?

Make the entire BOPIS experience, from order to pick up, easy and efficient.

- Simplify the ordering process online. Use adaptable website designs so that customers find it easier to order from any device, from a desktop to a smartphone. Make checkout and payment options easier.

- Facilitate easier navigation online. Shoppers must be able to find the products they are looking for, easily. Information regarding products that are available for store pickup must be clear and easy to find.

- Ensure that order pickup is readied quickly. Speed is key. Customers must ideally receive a notification that their order is ready for pickup within 2 to 3 hours of order placement.

- Provide clear instructions for customers to pick up their delivery. Instructions must include information about pickup location, parking details, and process for realizing the order.
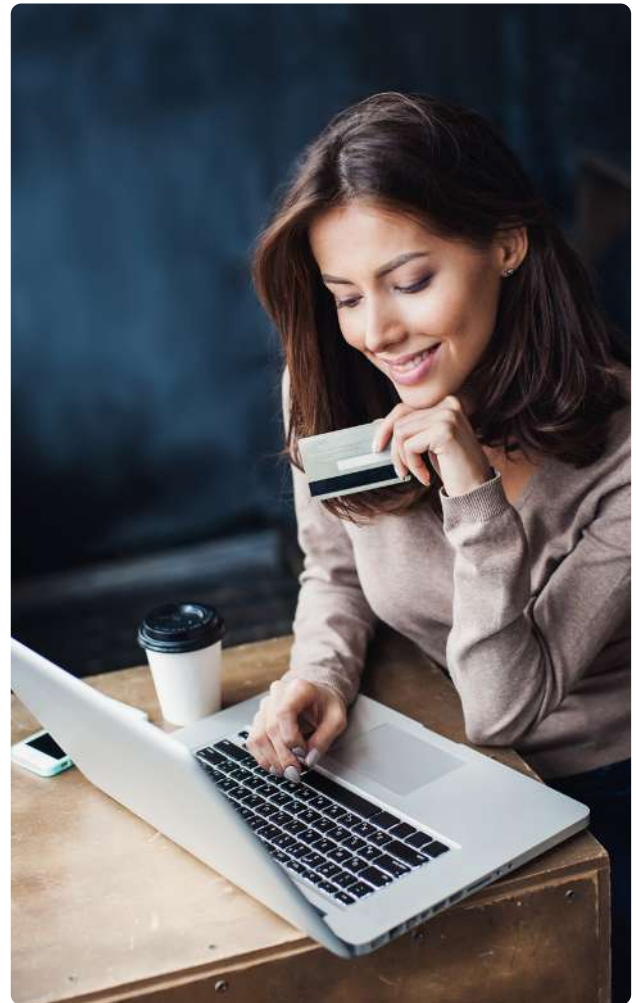
For example, if it is a locker pickup, what must the customer do to pick up the delivery? If it is a register pickup, should the customer meet a service team member to get the work done? Be specific.

- Make it easier for customers to try out their products. This is key for products such as apparel and electronic goods. Create try-out spaces near pickup points for the customer's convenience. Have easy return or exchange policies in place as a way to make customer experiences pleasant.

- Make the shopping experience quick for your BOPIS customers. These are people pressed for time. Ensure that you have a dedicated team attending to them. Whether they want to make additional purchases, or simply want to pick their deliveries, make the process easier and faster for them.

Such steps ensure positive engagement with BOPIS customers, which goes a long way in building loyalty. Companies such as Walmart use automated systems to speed up BOPIS order realization.

Customers are given a code, which is entered at the BOPIS terminal. A robot associates the code with a package, and then traces, identifies, and fetches it up for delivery at the collection point. (Source: Gartner) Such automation demands physical space and investment in technology, but is worth the investment as it elevates customer experiences.

- Update BOPIS inventory regularly. Traditionally, retailers have updated inventory depending on space constraints and performance targets. This often ends up in stocking an inventory that meets the needs of only walk-in customers.

In case of readily available products, retailers can confirm pickup in as fast as a few hours. For products that are not readily available, retailers may have to ship, which delays pickup for BOPIS customers.

By creating an inventory that meets the needs of both BOPIS and walk-in customers, retailers can deliver better. By updating inventories regularly, retailers can enhance customer experience for both segments.

• Use the right technology to create better experiences for your BOPIS customers.

A specialized and robust technology can help you integrate your online channels with the in-store footfall of your BOPIS customers. A well-designed application system can help you connect all BOPIS-related processes, including inventory, orders, pickup details, and customer history.

Such technology delivers unparalleled transparency to your BOPIS processes. It helps you identify process issues including inventory hiccups, and order realization problems. You can fix them efficiently and prevent issue escalation.

With the right omnichannel management technology, you can minimize inventory mismanagement, ensure product availability, speed up BOPIS pickup, and guarantee high customer satisfaction levels.

BOPIS - Technology enablers

What is the right technology and how can retailers ensure in-stock inventory?

One of the key reasons a customer would opt for BOPIS over any pure-play online retailer should be the speed of delivery in pickup. To ensure delivery accuracy at the pickup point, there needs to be a seamless and flawless workflow pipeline across the store's inventory visibility as well as demand forecast and stock replenishment tightly integrated with multiple omnichannel platforms. Real-time, accurate inventory visibility and availability is the key.

To ensure accurate store inventory availability, understanding the customer traction for items is very important. A detailed analysis of customer shopping trends from a post-pandemic viewpoint helps. Case in point being earlier, they would drive in to a store and spend hours for shopping, but now the whole definition of pick and choose has changed. Segmentation of data at multiple levels is most important to ensure stores do not get overstocked, leading to stock damage and neither understocked, leading to customer loss.

So, how does a retailer ensure it has the right technology solution to support an accurate demand forecasting and replenishment strategy in place?

In the current pandemic scenario, it is important to understand any kind of fluctuating demands by customers, because consumers need their deliveries quickly. It is imperative for available on-hand inventory to be in the store, leading to the requirement of an accurate demand and forecasting solution to continuously provide insights into demand fluctuations and customer behavior patterns with real-time recommendations for optimizing inventory and customer demand.

In the early days, only static historical and real-time sales data was considered a key input to analyzing past trends and providing a statistical prediction of the future. Forecasting tools majorly used a historical algorithm. Today, 'real-time' data is the most important resource. Forecasting models cannot rely on the past for an unforeseen future. Solutions need more data repositories and sources as a key input enabler for an enhanced forecast model.

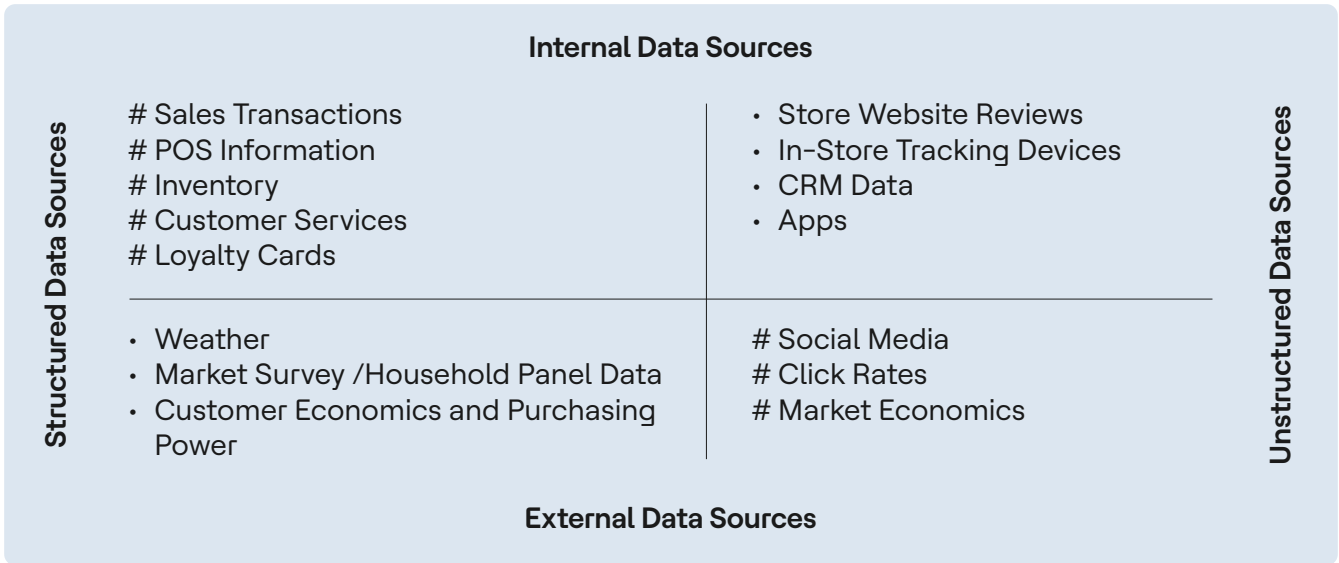## How important is data?

Data capturing and analysis

Capturing the right real-time data which includes both internal and external data sources such as weather, demographic conditions, and social media reviews, among others, is a critical component and a prerequisite to implementing the right AI-based forecasting algorithm. With a blend of internal sources– historical and sales data– along with external data sources, it provides a 360-degree, real-time visibility to a supply chain network; outperforming the static and manually managed data repositories.

Regardless of how and what forecasting algorithm we would want to implement, capturing and maintaining the right quality data is an important component.

Understanding Data and Demand in the Pandemic

In the COVID-19 scenario, the role of data and data science becomes critical to understand the actual customer sentiment of purchasing:

Internal Data Sources

Structured Data Sources		Unstructured Data Sources
# Sales Transactions # POS Information # Inventory # Customer Services # Loyalty Cards	• Store Website Reviews • In-Store Tracking Devices • CRM Data • Apps	
• Weather • Market Survey /Household Panel Data • Customer Economics and Purchasing Power	# Social Media # Click Rates # Market Economics	

External Data Sources

Understanding Consumption Data

At the initial onset of any pandemic, there was always an unprecedented panic amongst consumers fearing shortages and this led to a huge demand of basic groceries, leading to an unavailability and shortage of the basic goods in the stores creating an out-of-stock situation and high in-store visits.

During the pandemic, when most of us were working from home – the buying focus shifted from in-store visits to ordering more online from retailers. This further lead to a spike in the overall demand and consumption of basic groceries items.

However, if we go by the traditional way of comparing the sales data and analyzing a future forecast requirement of customer demand, it may not correctly project the required demand of customers. This is simply because we are taking just one factor which is a pandemic/seasonal factor within a specific time window.

Along with the current data sets available, it will be also important to understand the customer traction and demand for supplies post the pandemic. Which will be the driving internal and external factors

Putting Machine Learning Models for Data Predictability

Extending the already available basic algorithmic sets for forecasting to one step further– machine learning can be leveraged to integrate additional data sources like epidemiological data, exchange rates, and Google trends which can influence the market demand and improve the forecasting.

Once the data sets are defined, any forecasting solution which was earlier only dependent on "what-if" simulations based on just the demand history as a parameter can be extended to the new "pandemic" model where multiple combinations of demand history, exchange rates, local government rules, product attributes, Google trends, and COVID-19 sentiments– both internal and external factors which get immediately influenced by a global pandemic can be simulated via a "what-if" approach to understand the changing customer demand trends in the future.

AI/ML is hungry for data. To optimize results, several varied data sources are required. The data sources can be categorized, refined, and normalized under the following categories:

1 Setting a baseline for a historical data set:
AI needs enough historical data in raw format. Any data which is manually manipulated in the systems is a contaminated data rendered unfit for AI.
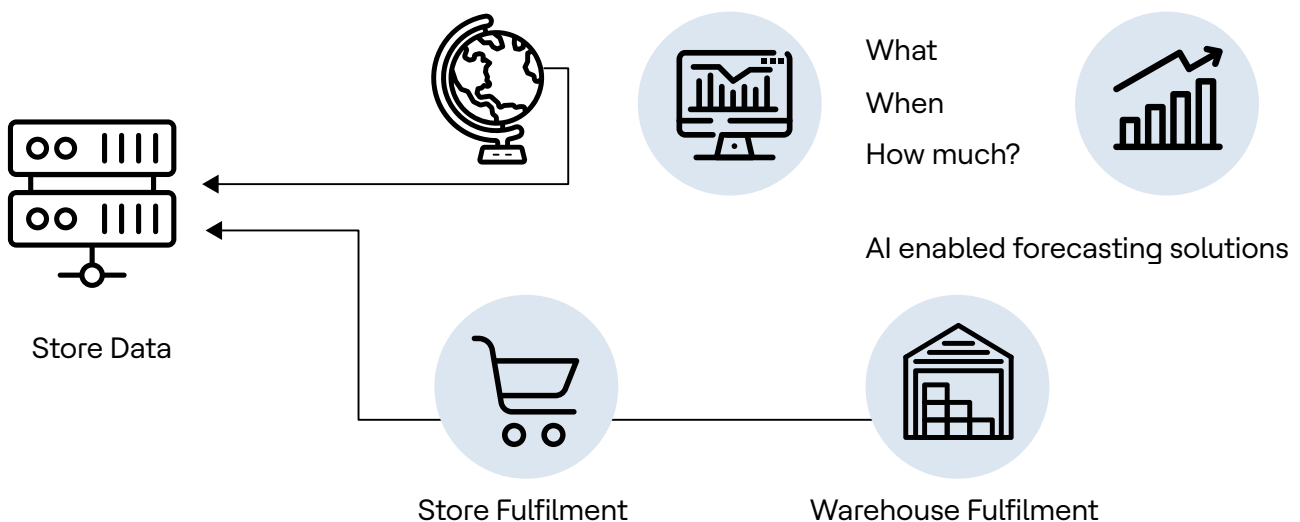
2 Focus on external unstructured data to understand market volatility
Processing external data such as news, market price indices, and market economics can help AI-enabled systems to group the data sets at local, regional, national levels, and examine undetectable patterns of behavior based on market forces as a key variable.

3 Focus on most updated PoS data sets:
Since the pandemic has made customer behavior more unpredictable, along with the historical sales data, it will be more apt to pull the recent [last 1-2 months] of point-of-sale (PoS) data. AI can use SKU descriptions, SKU attributes, locations [local, regional, national] to identify the buying capacity and demand of specific products based on patterns from other stores with similar attributes.

Store Data

What
When
How much?

AI enabled forecasting solutions

Store Fulfilment

Warehouse Fulfilment

It is now or never

For most of the traditional retailers, a strong focus shift on data and AI-enabled forecasting solutions can be a best-fit survival plan for implementing a strong supply chain solution for BOPIS enablement in stores. AI cannot function without the right data sources and raw data will serve no benefit if it is not captured by customized machine learning/AI algorithms based on business requirements.

Both kinds of solutions need an integrated handshaking and need to be customizable based on business investment on technology enablement.

BOPIS empowers retailers by empowering customers with better shopping experiences. A well-defined BOPIS strategy can expand your business' omnichannel distribution mechanism. It can help you connect with customers better by making their shopping experiences faster, better, and less expensive.

Maintaining smooth and efficient logistics is key to a successful BOPIS strategy. Investing in relevant technologies can help you be flexible to meet changing customer needs. The right technology can empower you with the competitive edge you need to succeed in the fast-emerging BOPIS landscape.

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