

# MODERN FULFILLMENT STRATEGIES:

RAISING BOPIS AND  
DELIVERY TO THE  
NEXT LEVEL OF  
CONVENIENCE

retail  
**TouchPoints**<sup>®</sup>  
SPECIAL REPORT

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## INTRODUCTION

Offering a wide array of fulfillment options, from next-day delivery to in-store pickup, is now the norm, so retailers need to find new ways to stand out from the competition. Curbside and store-based fulfillment are here to stay as fulfillment staples, but the next generation of great customer experiences will turn these basic services into friction-busting sales drivers.

Rapid fulfillment is now table stakes, and retailers looking to improve the customer experience will need to build on the established buy online, pick up in-store (BOPIS) and last-mile paradigms by putting the customer first in new ways. Additionally, because many companies expanded their fulfillment options in a hurry during the pandemic, making these offerings permanent means ensuring they're profitable — while still fulfilling orders when customers want, where they want them.

"Convenience today is often confused with speed," said Tom Enright, VP in **Gartner's Supply Chain Research** in an interview with *Retail TouchPoints*. "There's a view from some retailers where, if they can get the product into the customer's hands as soon as possible, that's the most convenient thing imaginable. But it's really not, because consumers are picking from the menu of options that the retailer has presented to them. What could be perceived as being *the most convenient* by the retailer might just be the one that's *the least inconvenient* from the consumer's point of view. **What we're seeing is a redefinition of convenience, to being collection or delivery on a consumer's terms.**"

This *Retail TouchPoints* special report will look at best practices for building the foundation for a successful modern fulfillment strategy, including:

- **Putting data at the center of the strategy:** No matter what path you choose to boost convenience, information management is vital to the entire operation — from managing inventory to coordinating fulfillment;
- **Strategically selecting warehouses and micro-fulfillment centers:** Neither traditional warehouses nor micro-fulfillment centers are one-size-fits all, so putting the right facility in the right place is the key to convenient, profitable programs;
- **Enhancing in-store pickup with alternate collection options:** BOPIS is already convenient, but retailers can take it to the next level by making the pickup process as seamless and easy as possible through enhanced communication and technology; and
- **Balancing in-house versus third-party services:** Running a next-gen fulfillment program requires expertise on multiple subjects, from logistics to customer communication, making a balance between in-house and outside experts the key to success.





## COORDINATION KEEPS MODERN FULFILLMENT MODELS RUNNING SMOOTHLY

The essence of innovative fulfillment is about the *where* just as much as the *when*. As shoppers begin returning to offices and going on outings, they'll be looking to grab their orders at more places than simply the closest store or their home. This means retailers need to be prepared to make deliveries to an even wider variety of destinations, while dealing with the last-mile complications that come with such an expansion.

For many players, this will mean dividing up tasks between in-house and third-party fulfillment solutions depending on how an order is being fulfilled. Keeping track of inventory, from what's available in the backroom to which pickers are collecting which items, will require a significant investment in analytics and planning to ensure everything runs smoothly.

"The consumer wants delivery of their product at so many different places, not just at home anymore, and they also want different timeframes," said Sean Whitehouse, Managing Director at Kurt Salmon, a part of **Accenture Strategy**, in an interview with *Retail TouchPoints*. "The consumer is demanding that, so you need to find a way to support that. You're going to need to have **multiple partners and multiple methods of making these deliveries**, and you're going to need a **centralized delivery optimization engine** that helps you coordinate all those deliveries, including the customer communications."



***Retailers also should leverage data science to understand how these new fulfillment methods affect in-store shopping, traffic, product assortments and optimal inventory levels. That's because new shopping habits may completely change what items are being bought and where, shifting what should be kept in stock.***

"If I'm a pet food retailer, I know that when someone pushes a trolley around the store they may put a five-pound bag of dog food into their trolley, because that's the easiest thing for them to carry," said Enright. In contrast, "if they turn up in their car, they may order a 40-pound bag because it's going to get thrown into the trunk, and then they don't have to come back to the store that often. So what you're finding is the availability of curbside not only makes the store traffic drop because those people are now picking up in their car, but also in some cases **the actual product they pick up is in different configurations.**"



# HOW SELF-SERVICE LOCKERS CAN IMPROVE BOPIS WITH VISIBILITY AND CONVENIENCE



Q&A with Penny Lasater, Senior Product Manager/Product Owner for Automated Retail Lockers, **Package Concierge®**

**Retail TouchPoints:** Convenience is king when designing a buy online, pick up in-store (BOPIS) program — it's a major differentiator that can set the option apart from both in-store shopping and home delivery. What are some of the best practices for retailers looking to make the pickup process as smooth, efficient and easy as possible for shoppers?

**Penny Lasater:** Visibility. BOPIS fulfillment options must be highly visible during the online checkout process as well as visible at the physical location to help guide customers. Providing a clear delivery promise during checkout completion (e.g., *your automated locker pickup will be ready in two hours*) is the first step to a successful transaction. In addition, providing details on what the customer should do upon arriving at the location to retrieve their order will help manage expectations and ensure a smooth experience. Finally, plenty of prominently displayed signage to direct the customer to the proper location will reduce bottlenecks.

**RTP:** How can retailers best guide incoming shoppers to their BOPIS pickup point upon their arrival? In particular, are there any best practices for keeping BOPIS and in-store shoppers out of each other's way?

**Lasater:** Communication via both email and text messaging, as well as prominent store signage, can help guide shoppers. **It's also especially effective when a map or image of the pickup location is added as visual reference to the communication.** However, one of the best ways to provide maximum customer convenience is to install an outdoor automated locker system in a highly visible location for BOPIS order pickup. This provides the customer the greatest flexibility to retrieve their order 24/7 and doesn't interfere with in-store shopping traffic. Plus, a locker with a vinyl wrap becomes a fantastic and highly visible billboard customers can't miss.



**RTP:** Many retailers have implemented new BOPIS fulfillment solutions as a stopgap to maintain safety during the COVID pandemic. Which fulfillment options do you expect to become permanent?

**Lasater:** Retailers scrambled to provide curbside fulfillment during the early days of the pandemic. What's becoming clear now is that curbside is cumbersome for both the store and the customer, not to mention expensive and labor-intensive for the retailer. Automated lockers have quickly become the curbside replacement of choice as they allow for contactless delivery, are less expensive to deploy, are easily scalable and provide customers convenient and secure 24/7 access to their orders.

**RTP:** How can lockers fit into an overall BOPIS offering? Are they something that is best used solo, or can they complement curbside and other similar services as an alternative option?

**Lasater:** Customers want flexibility and choices. To that end, retailers should focus on offering multiple fulfillment options. Customers will use a variety of pickup methods based on their needs at the time. Additionally, our recent consumer research has proven that a majority of BOPIS users are more likely to select a retailer that offers self-serve automated lockers as an option. The benefits of providing a fast, frictionless experience that saves users time and can effectively extend location hours when installed outdoors makes lockers a compelling and necessary part of any fulfillment mix.

## DENSITY IS THE BIGGEST FACTOR WHEN OPENING MICRO-FULFILLMENT CENTERS

Micro-fulfillment centers come in many forms, from fully operational stores that handle local orders to full-on dark stores that serve as miniature warehouses. While the terminology is vague, one thing is certain: micro-fulfillment now plays an important role in shortening delivery times and enabling new fulfillment options. However, not all locales are well-served by micro-fulfillment centers. Retailers need to examine their footprints on a region-by-region, or even store-by-store, basis to determine where and when they make sense.

“It really varies retailer to retailer and also just based on the customer density around the location,” said Chris Walton, CEO of **Omni Talk** in an interview with *Retail TouchPoints*. “There are certain geographies where that type of operation could work in the U.S., and smart retailers are looking at that. But then there are places that are more spread out where you can’t place a large center and still do it effectively. That’s where the micro centers come into play. **You can get certain parts of the population where your stores are and get better same-day coverage.**”



***Determining density isn’t as simple as applying an urban versus rural formula. Even when highlighting the area around major cities, some metros are better-suited to single centralized warehouses, while others would be better served with multiple smaller fulfillment centers.***

“Take Miami — there’s not that many big cities around, so you may want to use micro-fulfillment centers,” said Enright. “Put one in Fort Lauderdale and one in Miami, and that’s it for South Florida. There isn’t enough volume in that area to warrant a full-scale distribution center. But for the north, you may put one larger center between Orlando and Tampa. That’s going to allow you to service both of those cities from a single location, because there’s a big enough geographical cluster of demand. We see credibility for all of these models to coexist, depending on the individual geography.”

## MAKING THE MOST OF YOUR REAL ESTATE

Getting the right balance of traditional fulfillment, store fulfillment and micro-fulfillment requires retailers to consider more than proximity to customers. For instance:

- How would limiting a store’s customer-facing operations affect sales?
- What impact would reduced foot traffic have on safety and the associated costs?
- Is the location well-suited to installing new or enhanced automation?

The final arbiter of whether a store would be better off as a partial or full-time distribution center comes down to how it would impact the bottom line.

“Think about your real estate holistically — warehouses and stores — and then think about their roles and how you’re going to have to create different versions of those, different types of distribution centers and different types of stores, in order to be smart about what service levels you need to be profitable,” said Whitehouse.





## **CONVENIENCE, FROM COMMUNICATION TO PICKUP, SHOULD BE THE TOP PRIORITY IN BOPIS**

Even prior to the pandemic, BOPIS was on a rapid evolutionary path. Gone are the days when the fulfillment counter was in the back of the store, forcing shoppers to walk through aisles of merchandise to pick up their order; retailers have learned that customer convenience is more important than potential impulse buys.



***Now the pickup process begins the moment the order is placed, with descriptive instructions right on the purchase page, and it continues until the package is securely in the shopper's hands.***

"The key there is just, how do you make the user experience very efficient for the customer via the digital interface?" said Walton. "And then as they're in the location, i.e. the parking lot, how do you make sure that it all runs smoothly and the technology works seamlessly so there aren't any bottlenecks?"

One way to make BOPIS more seamless is by putting as much control in the shopper's hands as possible. One possible method is storage lockers: associates can place orders inside them hours or even days in advance of a pickup time. On the customer side, shoppers need only arrive at the store and scan with their mobile device to access their purchases. This smooths out potential delays caused by high pickup volumes and allows for wider fulfillment windows, but retailers still need to ensure that turnover is fast enough to keep the lockers from filling up.

"If the consumers don't turn up quickly enough then the lockers can all get used," said Enright. "You don't want everybody waiting three or four days, you want people in and out so that that locker is freed up for the next consumer. We've seen a little bit of work toward incentivizing consumers, where there may be **a promotion that says, 'If you pick it up same-day we give you 5% off your next purchase,'** something of that nature, just to get them moving as quickly as possible."



# DIVERSIFYING FULFILLMENT CAPABILITIES WITH DEALER-FULFILLED ECOMMERCE



Ben Barenholtz, Head of Marketing, **Quivers**

Ecommerce is booming. According to *Digital Commerce 360*, consumer spending online increased **44%** YoY in 2020. That's remarkable. In fact it's the biggest annual ecommerce increase in **20 years**, and almost **three times** the **15%** increase in 2019.

Which is great, but despite the boom, ecommerce sales haven't grown at a replacement rate for declining physical retail sales and store closures in many industries. For most brands, their B2B business remains the majority of revenue.

Which is interesting because *how brands set up ecommerce fulfillment operations can affect both ecommerce and B2B sales* for a business.

## DON'T SACRIFICE CUSTOMER EXPERIENCE GOING IT ALONE

It's tempting to fulfill ecommerce orders directly and hoard those large DTC margins, but directly fulfilling 100% of ecommerce orders will strain your internal fulfillment operations.

Often I find brands are still better at fulfilling large B2B orders, not the "onesie-twosie" business of high-volume consumer orders. Transitioning to fast, cheap online order fulfillment is hard, especially if they're relying exclusively on internal capabilities.

Consumers expect an amazing ecommerce storefront, yes, but also an equally awesome fulfillment experience — one that's fast, cheap and highly convenient. Don't get lost in the lure of margins and screw things up. Do, however, take advantage of external fulfillment options.

One outsourced fulfillment option is third-party logistics companies (3PLs). 3PLs are popular due to their ability to better handle complicated fulfillment logistics, and help brands meet the sky-high consumer expectations being set by the behemoth marketplaces like Amazon and Walmart.





## DEALER-FULFILLED ECOMMERCE TECHNOLOGY CONNECTS ONLINE AND OFFLINE SHOPPING

To keep up, brands need still more tools and technologies of their own. In particular, another method that brands are using is called Dealer-Fulfilled Ecommerce (DFE). Dealer-fulfilled ecommerce is the practice of connecting a brand's ecommerce site with its distributed physical retailers to fulfill orders via software.

It's a powerful option because many brick-and-mortar retailers already have order fulfillment expertise. Likewise, brands keep inventory distributed across retailers that can be used for quick, easy localized fulfillment — in the form of efficient last-mile delivery, in-store pickup, curbside pickup, etc.

With the technology advancing, DFE is expanding, even becoming a critical fulfillment strategy in key industries. In the winter sports industry for example, 10 or more of the top 15 winter sports brands now use dealer-fulfilled ecommerce technology to selectively route a portion of their ecommerce orders to their retail network for fulfillment.

## FULFILLMENT EXCELLENCE FOR THE WIN

To succeed in this decade, brands must prioritize fulfillment excellence. In order to control their own destiny, and not bow to the mercy of mega-marketplaces, now is the time for brands to make fulfillment excellence a company priority.





## SHOPPERS DON'T CARE WHETHER RETAILERS USE THIRD PARTIES – THEY JUST WANT IT DONE RIGHT

Even at smaller retailers, some basic aspects of fulfillment are easily handled by associates, while others require a level of expertise that calls for third-party partners. There is no standardized formula for determining when to keep processes in-house versus when to work with outside parties, but one of the key considerations is cost. Retailers will need to ask themselves if spinning up the necessary infrastructure to offer a new fulfillment method would be less expensive in the long term than paying a solution provider.



***"We're at the point where most if not all retailers have launched these capabilities, but what they have to figure out is not how do they keep offering this to the customer, but how they maximize profitability," said Whitehouse. "Here's the hidden concern with ecommerce: as you grow you have to be very smart about your capabilities in order to be profitable. If you're not, you can very quickly become unprofitable."***

Perhaps even more important than pure profitability is figuring out which path will provide the best experience for your customers. Shoppers don't care about how their orders are fulfilled, or any of the carefully considered processes that take their order from the website to their hands. They just want their order to be in the most convenient place at the most convenient time. Get it right, and you'll have earned their loyalty.

"It's a function of the size of your company, the money you have to spend, your experience and competency and your technical 'affluence' in being able to make all those things happen," said Walton. "All the grocers are at different stages. The interesting thing about delivery is, I think, **if you get right down to it the consumer doesn't care who's making the delivery — but there's a certain level of expectation that has to be met.**"





Package Concierge® is the trusted provider of automated locker solutions. With over 40 million transactions, Package Concierge combines expertise and technology to seamlessly automate fulfillment processes for retailers. As the only vertically integrated solution, Package Concierge products are built in the U.S.A. and powered by proprietary software to deliver on security, design and functionality. By collaborating with customers to understand and address their evolving needs, Package Concierge® delivers the highest quality solutions to optimize operations and enhance user experiences. For more information, visit [www.packageconcierge.com](http://www.packageconcierge.com).

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Quivers is the leading commerce platform for specialty brands. We let brands sell products on their website while sharing the fulfillment of those orders (both ship-from-store and in-store pickup) with physical retailers. Quivers bridges the gap between online and offline shopping. We help brands increase sell-in, reduce stock-outs, and ship faster and more efficiently. Our software will improve your eCommerce performance online, letting you offer the very best shopping and fulfillment experience to consumers, while also maintaining a healthy, profitable B2B business.

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