OMNI-1000 Research: Australia

Are Retailers TRULY Offering Omni-Channel Services To Shoppers?

EXECUTIVE SUMMARY

OrderDynamics' Omni-1000 is fact-based research, investigating over 1000 retailer websites around the world. Rather than asking retail executives about whether they believe they are executing their omni-channel retail strategies, this research looks for actual omni-channel retail in action. The research used a 'random-walk' methodology; investigating the websites, policies and capabilities of retailers to deliver on services like in-store pickup orders, return in-store capabilities, and the level of inventory visibility provided.

When focusing on the Australian market, it is clear that only 25.5% of retailers offer buy online, pickup in-store (BOPIS) services, also known as click and collect. This means the Australian retail environment is still in the early phase of omni-channel adoption. As such, there is a significant opportunity for retailers to leverage order management technologies to deploy their omni-channel strategies, and still be early entrants. With a good base of retailers already seeding the market, and helping educate shoppers in this new offering, it means new entrants will be able to make greater progress, at a faster pace than the earliest adopters.

Among the retailers in the market with early omni-channel capabilities, there are many aspects to improve. Of the click and collect retailers, 66.7% advertise their in-store pickup capabilities on their first web page. One third kept the service hidden until the end of the online buying journey, at checkout. Much too late, to make an impact with consumers.

Although inventory visibility is broadly offered on many retailer sites, higher level details like the exact number of units of an item found at a particular store, are offered only by a minority of merchants.

All told, the following research offers many observations of common practices across the Australian retail industry, from an omni-channel perspective. Several charts with averages, lows and peaks provide a benchmark that many retailers will find helpful. While converged commerce is still a new development for the Australian consumer, retailers have an opportunity to become early adopters in this space. Specifically with the expected arrival of Amazon in Australia, the time to invest in technology to deploy omni-channel strategies, is now.

Research Methodology

OrderDynamics' Omni-1000 research is based on a 'random-walk' methodology, directly assessing retailer websites for the presence of omni-channel capabilities offered to shoppers. A random walk approach means the research did not expressly include or exclude retailers based on predefined ratios. Retailers across Australia were found across various categories and geographies. In total, 200 websites were analyzed for the Australian portion of this international study. The next page expresses the retailer groups used for the research by retail sub-sector (fashion, specialty, footwear...), retail chain size in terms of number of stores or locations across Australia, and the eCommerce Platform (eCP) used by each retailer.

Although a 'random-walk' method may appear hap-hazard, a comparison across the various countries included shows similar store count, eCP use, and retail category breakdowns.

Data and web analysis for the Orderdynamics' Omni-1000 spanned from May to June 2017. The research presented reflects the capabilities of the retailers in the study, as expressed through their website offerings to shoppers during this time.
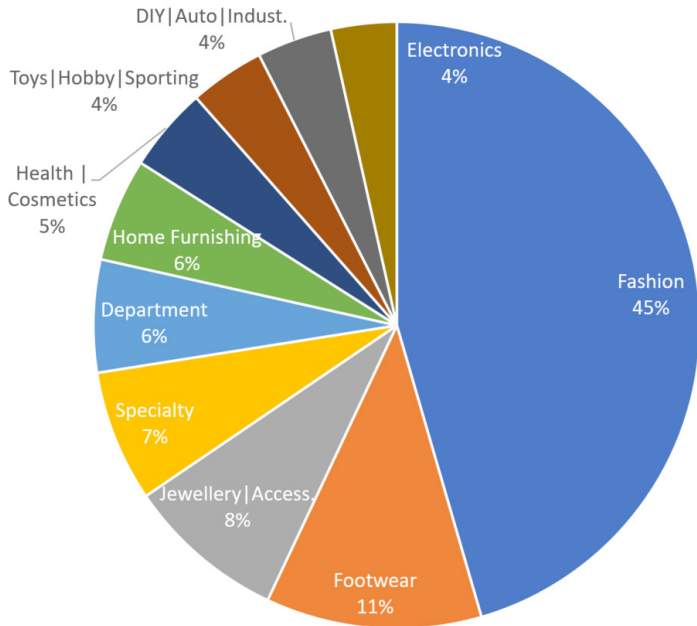
Retailers selected for the study include only those with ten or more physical store locations. This study only includes retailers with some form of web-presence. It is important to note that although all retailers in this study have an online presence, not all have ecommerce capabilities or an ecommerce strategy.

For the Australian research portion of the Omni-1000 research, the total of 200 samples breaks down into significantly smaller sub-sectors. Readers are reminded of the smaller sample sizes for the sub-sector observations. Results from these smaller groupings are indicative, or directional in nature - rather than statistically conclusive. Regardless, this information can be relevant and helpful to retailers operating in Australia.

REFERENCES

1. Forrester Research Report (May 2016) "SaaS Is The Default OMS Approach in an Omnichannel World." http://ow.ly/uzsx30cKTLu
2. OrderDynamics (Feb 2017) "Omnichannel Retail ROI: Does it Exist?" http://ow.ly/HtCy30cKTFn
3. Gartner, Tom Enright. (Sep 2015)"This is What Retail Multichannel Supply Chain Excellence Look Like.
4. United Parcel Service of America. (2016) "2016 UPS Pulse of the Online Shopper."
5. BookingBug (Dec 2016) "The Modern Consumer"
6. KPMG / Intuit Research (Jun 2017) "The Truth About Online Consumers"

RESEARCH METHODOLOGY

Retail Sectors pie chart: DIY|Auto|Indust. 4%, Toys|Hobby|Sporting 4%, Health | Cosmetics 5%, Home Furnishing 6%, Department 6%, Specialty 7%, Jewellery|Access. 8%, Footwear 11%, Fashion 45%, Electronics 4%

Store Count Sizing pie chart: 251+ 6%, 101-250 20%, 10-50 53%, 51-100 21%

eCommerce Platform pie chart: In-House 2%, Magento 28%, None 15%, Cart Functionality 15%, Other 12%, Demandware 8%, Websphere 7%, Hybris 6%, Shopify 4%, Amblique 3%

N=200
Source: OrderDynamics, Jun 2017

Retail Sectors

OrderDynamics' Omni-1000 is a 'random-walk' study, meaning that over 1000 web-sites were reviewed and scrutinized for various omni-channel characteristics. No express quota was applied to each sector or sub-sector of the market. However, even with this non-directed approach, the retail categories represent what was expected of the Australian market. Fashion and apparel forms the bulk of retailers investigated. Footwear is next at 11%, followed by Jewellery (8%) and Specialty goods (7%).
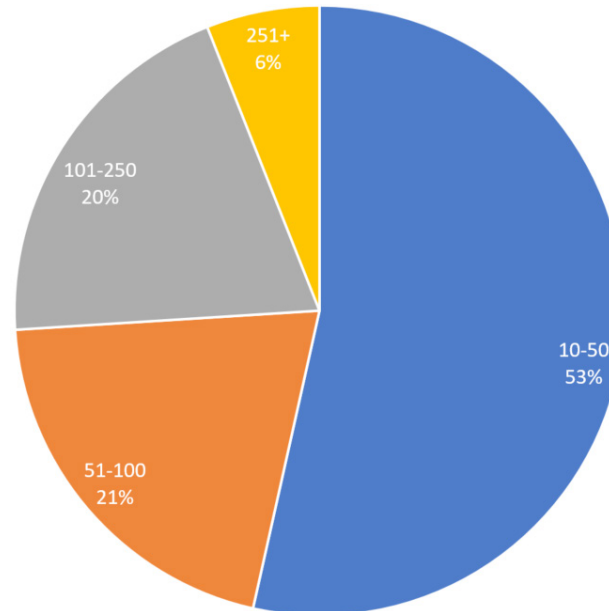
Store Count Sizing

Most Australian retailers included in the Omni-1000 have 10-50 stores or retail locations. Both the 51-100 and 101-250 store retailers were very close in term of retailers reviewed. This is similar to market sizes observed for other countries like Canada. In effect this study provides the bulk of observations for brands smaller than enterprise sized retailers.
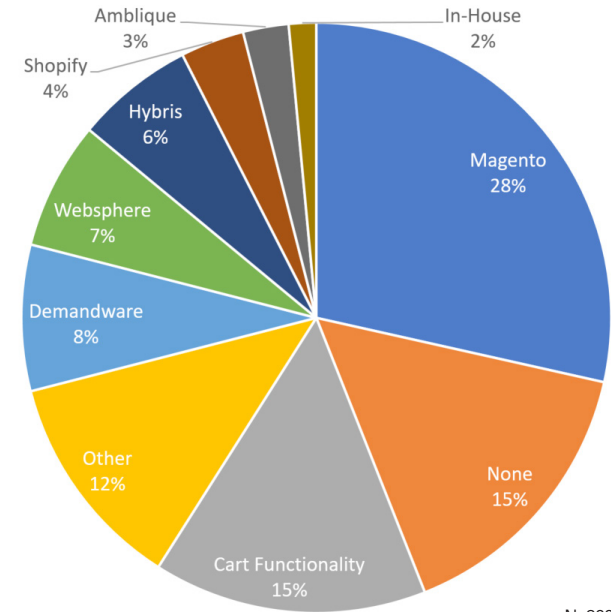
eCommerce Platform (eCP)

A cross section of eCPs shows a robustly competitive market. No one platform dominates in Australia. Magento represents 28% with the largest share of the retailers reviewed. Notable also were Cart Functionality at 15%, Other at 12%, being a blend Cloudfront, Prestashop, WooCommerce, and others, and Demandware (now Salesforce Commerce Cloud) at 8%.
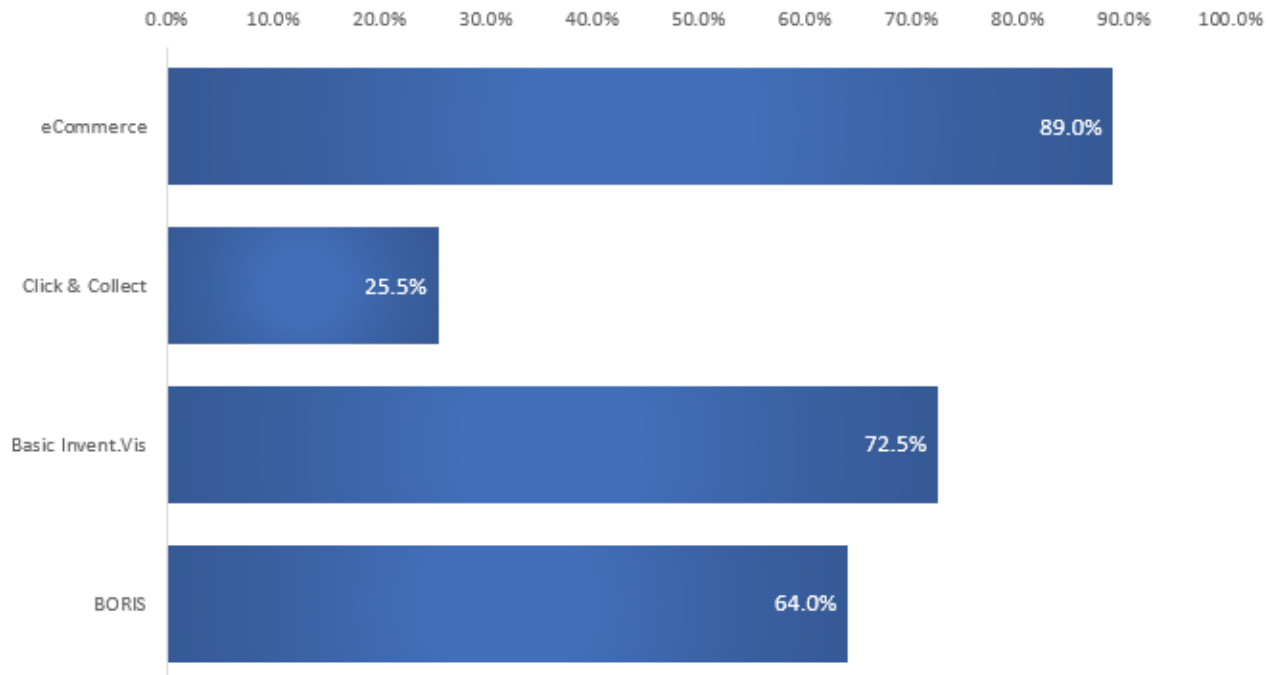
order dynamics

Australian Snapshot

A snapshot of the Australian retail market shows that 89.0% of the 200 retail websites investigated have eCommerce capabilities, such that a consumer can create a basket of goods to transact an order online. Although the researchers expected this figure to be higher, it is a solid launching point for omni-channel retail capabilities.

As an indicator of omni-channel capabilities, click and collect (buy-online-pickup-in-store - BOPIS), is currently evident in 25.5% of Australian retail sites. As omni-channel gains momentum, this figure is expected to grow rapidly over the next 24 months.[1] Although only one in five Australian retailers offer click and collect to shoppers, 72.5% provide at least a basic level of inventory visibility online.
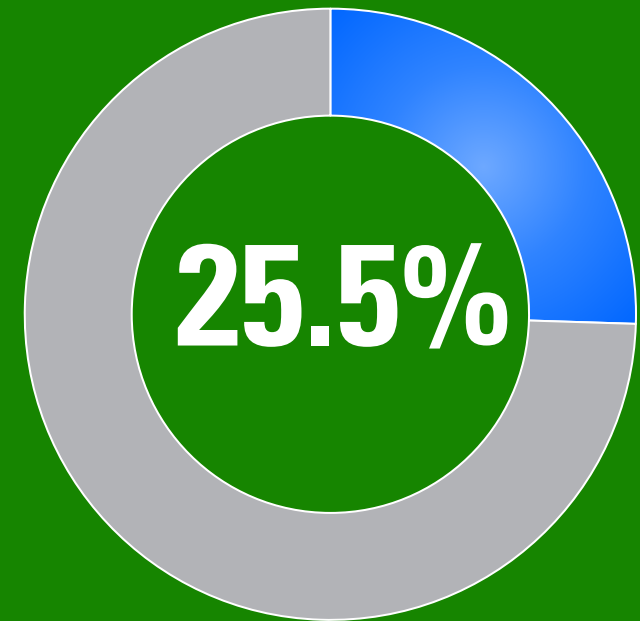
Given that many shoppers have a preference for returning merchandise to a store in-person, 64.0% of Australian retailers allow shoppers to buy online and return in-store (BORIS).
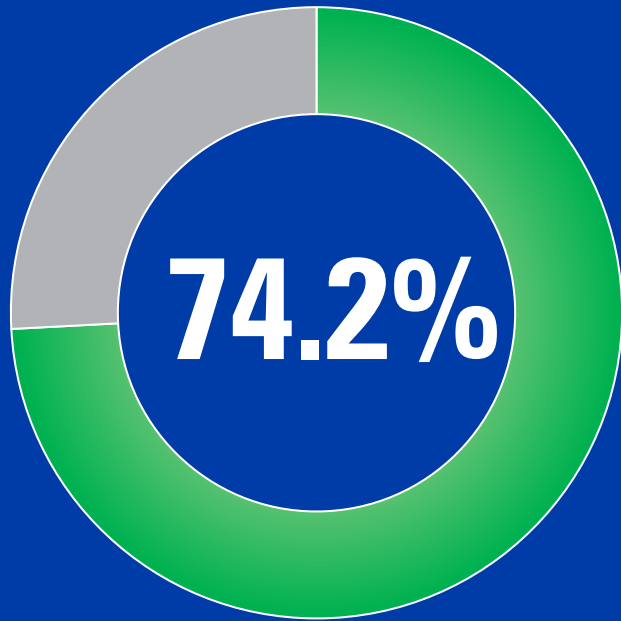
CAPABILITIES SNAPSHOT

Bar chart:
- eCommerce: 89.0%
- Click & Collect: 25.5%
- Basic Invent.Vis: 72.5%
- BORIS: 64.0%

N=200
Source: OrderDynamics, Jun 2017

25.5%

"Click & Collect, or Buy-Online-Pickup-In-Store (BOPIS) is evident in 25.5% of today's Australian retail sites."

order dynamics

74.2%

"Most Australian retailers with an eCommerce site (74.2%) offer a free shipping offer with a minimum purchase."
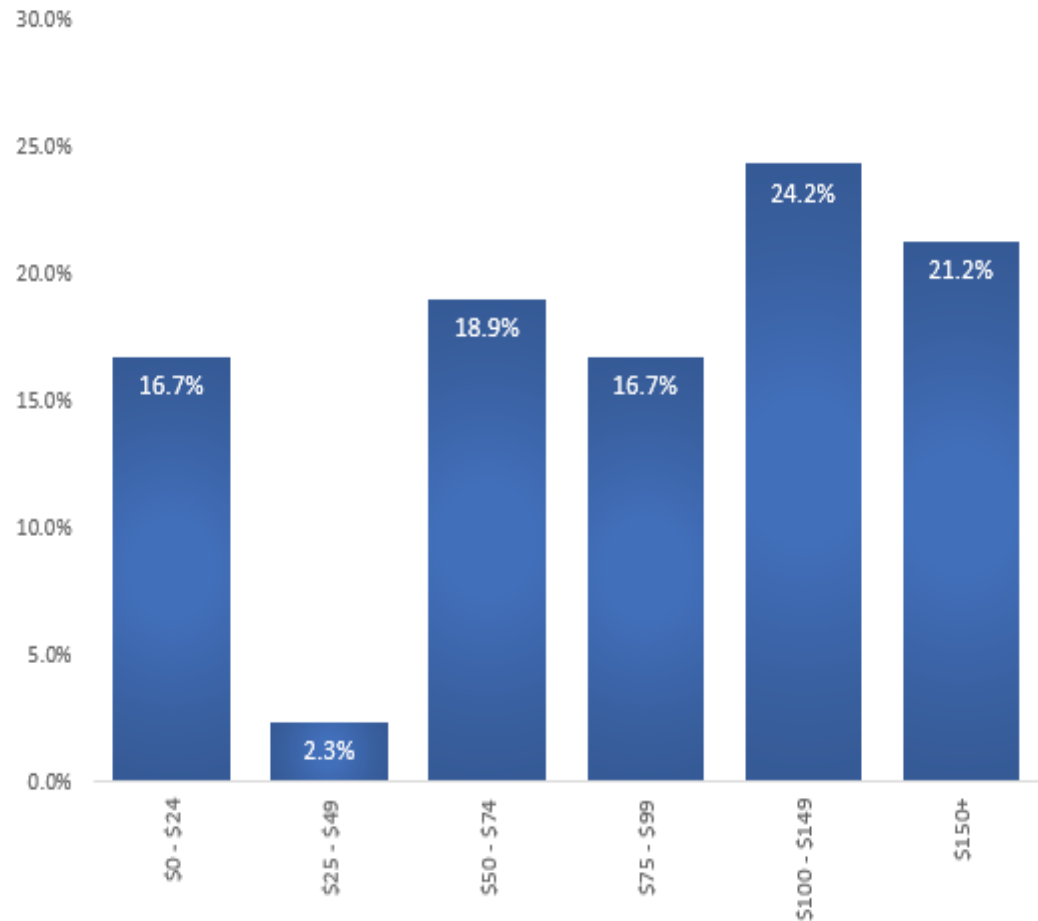
eCommerce Free Shipping

The minimum order to qualify for free shipping among retailers does not resembles a normal distribution curve. Surprisingly, the free shipping threshold expressly gravitates away from the $25-$49 category (Australian dollars). An interesting point is that most retailers are distributed in the minimum order value ranges above $50.

Having announced that Amazon will come to Australia by 2018, it is likely they will target their free shipping for orders over $30 - $40 in value. Although Amazon in US sets the minimum threshold at $25 (USD), in Australian dollars this rounds up to about $34. Amazon in Canada sets the minimum order value for free shipping at $35 (CAD), which is rounds out to $36 Australian dollars. Although this may be disruptive, retailers in other markets like Canada, have not gravitated to meet Amazon's free shipping minimum value threshold. This means that Australian retailers may be able to sustain their current minimum order value levels, by emphasizing other brand values, to maintain customer loyalty.

Of the retailers active in Australia, 74.2% offer free shipping to online shoppers, with varying minimum orders. Up to 16.7% of retailers offer free shipping for basket values in the $0 - $24 range. Of these 9.0% of ecommerce retailers offer for free shipping with no minimum order value stated. This appears as a curiosity. Not setting a minimum basket size for free shipping is a risky move that can result in significant margin-eroding pick, pack and shipping fees.

Almost half (45.5%) of retailers set free shipping minimum orders at over $100. Although Amazon's entry into the Australian market may influence this level. However, this level of retailers holding a higher basket of goods value, is not uncommon for other markets in which Amazon competes. There may be good reason to hold to this higher basket value threshold for free shipping.

FREE SHIPPING WITH MINIMUM PURCHASE

N=200
Source: OrderDynamics, Jun 2017

eCommerce and Free Shipping

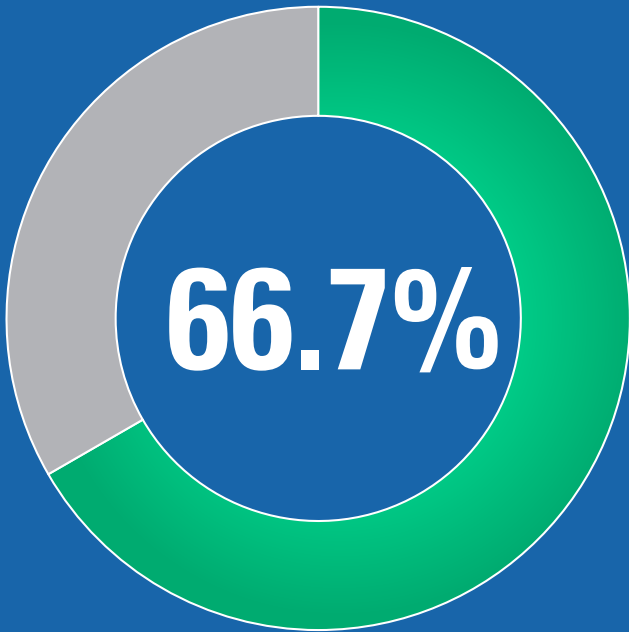## FREE SHIPPING BY RETAIL SECTOR

Free shipping is pervasive throughout the ecommerce market space. Most retailers in each sector offer free shipping with online orders. Many, if not most shoppers are now conditioned to expect free shipping with a certain dollar value of purchases. In this regard, breaking out of the free shipping paradigm is a challenge for most retailers. Across Australia, 66.0% of retailers offer free shipping.

Three retail sectors least inclined to offer free shipping are the: Electronics, DIY|Auto|Industrial products, and Toys|Hobby|Sporting Goods retailers. Of this group counting 23 retailers, only four advertise free shipping with a minimum order value. On the opposite end of the spectrum, 91.3% of footwear retailers offer free shipping.

Surprisingly, the high side of the minimum order value reaches $500, in the fashion category. The surprise is not the value, rather that it was in fashion and not a big ticket category like home furnishings show the highest minimum order value for free shipping. Averages across retail sectors gravitate around the $100 range. Retailers should experiment with different minimum order sizes, before giving in to the temptation to lower this value, merely to meet Amazon free shipping value point. Naturally, keeping this value as high as the market will bear, drives the basket order value, which is good for the retailer.

Retail Sector	Sector Count	Offer Free Shipping		Min. Basket for Free Shipping	
		Count	%	Avg	High Value
Fashion	91	71	78.0%	$94.67	$500.00
Footwear	23	21	91.3%	$90.05	$175.00
Jewellery|Access.	17	11	64.7%	$98.90	$250.00
Specialty	14	8	57.1%	$99.38	$250.00
Department	12	5	41.7%	$120.00	$150.00
Home Furnishing	11	5	45.5%	$118.80	$150.00
Health	Cosmetics	9	7	77.8%	$91.33	$100.00
Toys|Hobby|Sporting	8	3	37.5%	$75.00	$100.00
DIY|Auto|Indust.	8	1	12.5%	$100.00	$100.00
Electronics	7	0	0.0%	$0.00	$0.00
Total	**200**	**132**	**66.0%**	**$95.93**	**$500.00**

N=200
Source: OrderDynamics, Jun 2017

Click and Collect

order dynamics

66.7%

"Across Australian retailers actively providing in-store pickup services, 66.7% advertised or called it out on their front page."
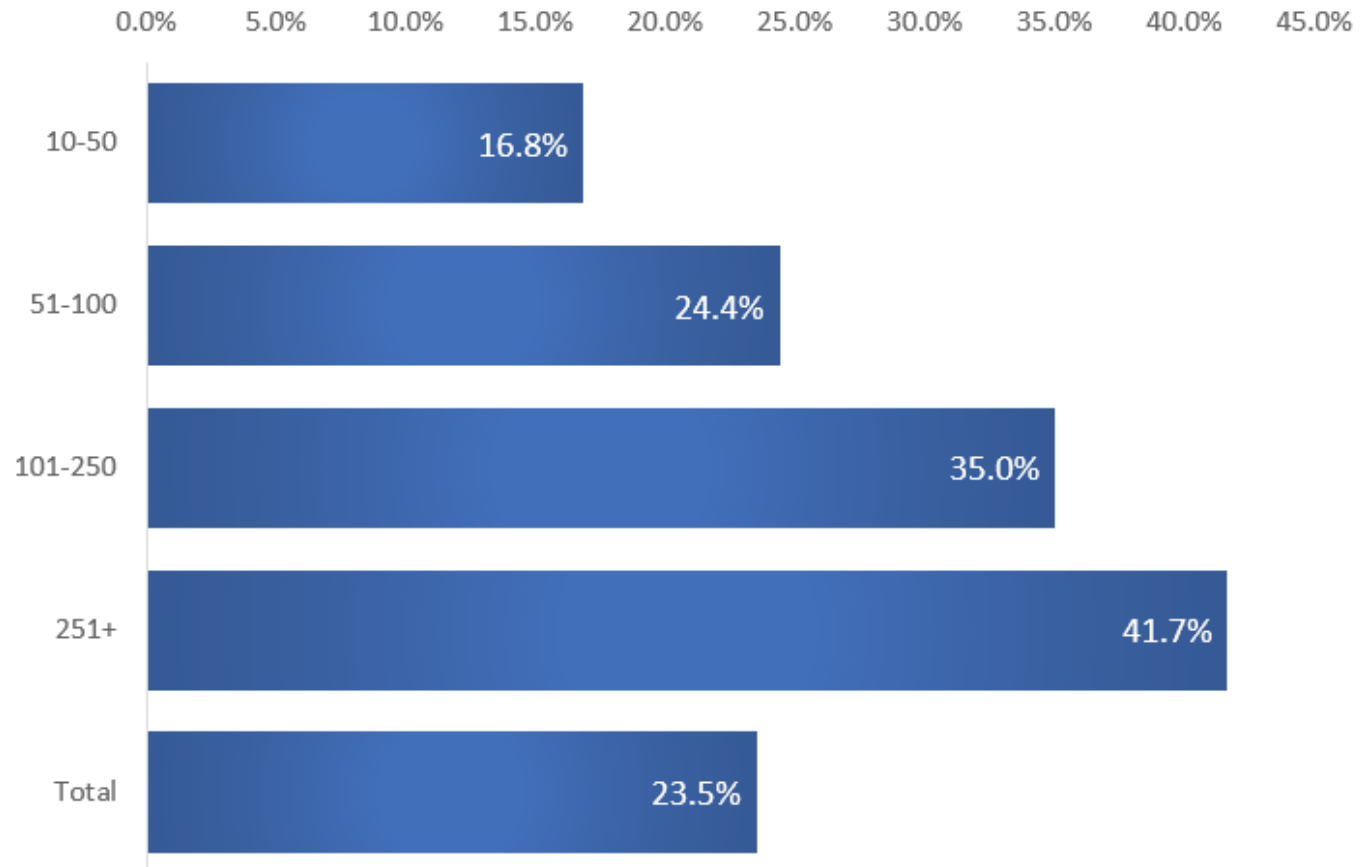
Click & Collect Profile

Shoppers interested in the instant gratification rush of an in-store pickup, today, are best served by large Australian retailers. Adoption in chains with over 250 stores is more than twice that of smaller retail chains with 10 – 50 stores. Here lies an opportunity for smaller chains to use omni-channel as a competitive edge. Shoppers expect these services from large chains. By adopting in-store pickup, a 10-50 store chain can distinguish itself from competitors in its category.

Large chains gravitated to omni-channel retail earlier, in pursuit of greater profits, cost reductions, and the ability to use existing assets to compete. These chains often have larger IT development staff, making it easier to source and deploy earlier order management systems (OMS).

Since the total cost of ownership (TCO) of cloud-based OMS systems have a distinct cost advantage over on-premise solutions, critical systems like an OMS are now available to all retail chain sizes. Adoption will grow in the following 2-5 years. For example, Forrester's research on SaaS based OMS solutions found that 45% of retailers expect to upgrade or purchase a new OMS SaaS solution within the next 3 years.[1]

Highlighted earlier, the Australian retail market is still at an early stage in it's omni-channel maturity. With only 25.5% of retailers offering click and collect services, there is ample opportunity for non-omni-channel retailers to start their efforts now, and still be ahead of the vast majority of the retail adoption curve.

CLICK AND COLLECT ADOPTION BY RETAILER STORE COUNT

| Store Count	Adoption
10-50	16.8%
51-100	24.4%
101-250	35.0%
251+	41.7%
Total	23.5%

N=200
Source: OrderDynamics, Jun 2017

CLICK & COLLECT OPTIONS

Various different options exist for the collect part of the in-store pickup. Options include an online purchase shipped to the store for pickup, placed into an in-store locker, and even making purchases available for pickup at partner locations. Creative options include corner store pickups, deliveries to a customer's car and special pickup zones, or direct postal outlet pickups.

Despite the number of options available to retailers, 88.2% offer customers a single option, being the standard in-store pickup. In 58% of cases, in-store pickups result in additional sales.[2] Retailers with 2-3 options were less common at 7.8% and 3.9%, respectively. This speaks to the relative novelty of omni-channel in Australia. As such, there is an excellent opportunity for a few early retailers to take a leadership position in the minds of shoppers, by testing three pickup options.
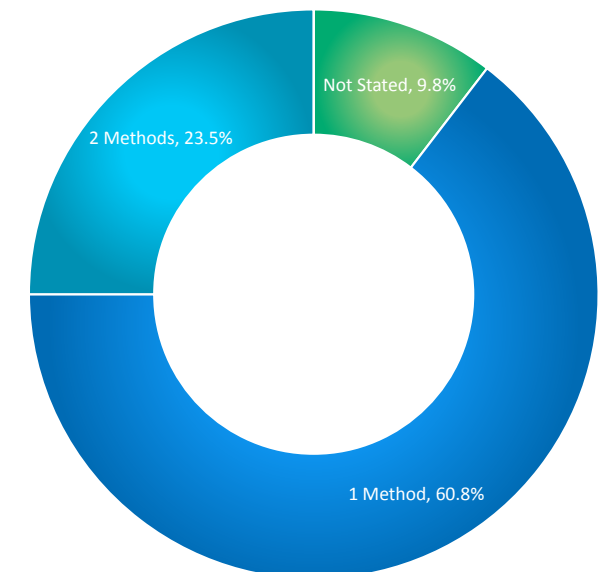
Being new to an omni-channel strategy, retailers should start with one option. Over time, additional pickup options should be rolled out to test consumer use and acceptance. Naturally, the advantage is that it lets customers choose their preferred pickup method. This makes it more likely for one time click and collect customers to become repeat omni-channel customers. That means repeat orders.
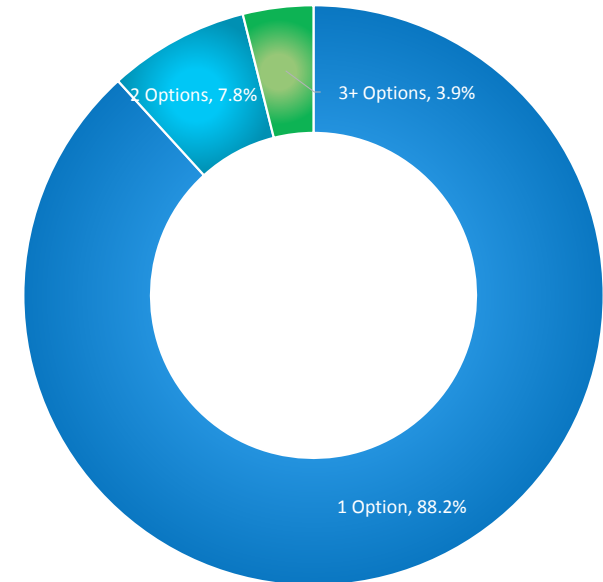
PICKUP NOTIFICATIONS

Notifications let customers know an order is ready for pickup. Most retailers offer one notification method, at 60.8%. Predominantly this is an email message, however, in a few cases, a telephone call. 23.5% of retailers offer customers two notification methods. The most frequent combination is an email and a text message, with fewer retailers offering the combination of email and telephone call. Surprisingly, 9.8% of retailers failed to mention that a notification is provided to the customer, at all. Being a simple step, ALL omni-channel retailers should offer pickup notifications.

Given the growing importance of the Millennial and Generation Z consumer groups, retailers need to expand customer notifications. Robust order management systems include flexible communications that allow alerts to Snapchat, Twitter, text, email, voice messaging, and other social media vehicles.

2 Options, 7.8%

3+ Options, 3.9%

1 Option, 88.2%

Not Stated, 9.8%

2 Methods, 23.5%

1 Method, 60.8%

N=200
Source: OrderDynamics, Jun 2017

ENGAGING CUSTOMERS

Australian retailers engaged in omni-channel commerce are good at highlighting 'click and collect' or 'online pickup' options on their front web page. 66.7% of retailers informed shoppers of the service, compared to 74.2% of retailers which noted 'Free Shipping' on the first page. This is an important point, given that free shipping is a significant cost and margin drain, compared to a customer led in-store pickup. Beyond saving on shipping costs, and improving margins, in-store pickups also drive in-store foot traffic, and increase the purchase volume in 58% of cases.[2] This means 33.3% of Australian retailers are only telling customers about this click and collect at the final stage of checkout. This is too late in the sales process. Fortunately, the majority of omni-channel retailers are bringing the service to their shoppers' attention.

Surprising was that 19.6% of retailers with in-store pickup do NOT provide basic 'how-to' instructions. Most click and collect retailers have some form of customer instructions, but even here many were buried in the terms and conditions providing a dry read. Some notable exceptions with customer friendly pickup instructions include Katie's, Skechers and Fantastic Furniture. Each provides easily understood language, and graphically oriented instructions. Although outside Australia, Home Depot Canada includes an instructional video to help its customers new to in-store pickup. Of over one thousand websites reviewed, this is definitely a best-practice to mimic.

Retail Sector	Sector Count	Click & Collect Avail. Count	%	First Page C&C Ad Count	%	'How-To' Instruct. Count	%	Pickup Alert Count	%
Fashion	91	20	22.0%	13	65.0%	17	85.0%	19	95.0%
Footwear	23	3	13.0%	2	66.7%	2	66.7%	3	100.0%
Jewellery|Access.	17	2	11.8%	0	0.0%	1	50.0%	2	100.0%
Specialty	14	5	35.7%	3	60.0%	4	80.0%	3	60.0%
Department	12	6	50.0%	6	100.0%	5	83.3%	6	100.0%
Home Furnishing	11	4	36.4%	3	75.0%	4	100.0%	4	100.0%
Health | Cosmetics	9	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Toys|Hobby|Sporting	8	3	37.5%	2	66.7%	1	33.3%	2	66.7%
DIY|Auto|Indust.	8	3	37.5%	3	100.0%	3	100.0%	3	100.0%
Electronics	7	5	71.4%	2	40.0%	4	80.0%	4	80.0%
Total	**200**	**51**	**25.5%**	**34**	**66.7%**	**41**	**80.4%**	**46**	**90.2%**

N=200
Source: OrderDynamics, Jun 2017

In-Store Pickup Delays

Instant gratification is a big motivator for in-store pickup orders. A US and UK study for over 2000 participants found that 79% of US and 70% of UK consumers prefer in-store purchases for getting their merchandise immediately.[5] As such, shoppers expect their order to be ready quickly. Yet, only 23.1% of Australian retailers state that a pickup order will be ready within a 4 hour window. Since converged commerce is still new to consumers, retailer caution on not over-promising a short pickup time will improve.

Australian retailers have adapted well to speeds expected by consumers, as only 7.7% state that orders will be ready for pickup within 1-2 days. Yet, there is room for improvement as only 23.1% commit to 2 or more days for a pickup. This level is a red flag. If home shipments can arrive within 2 days in urban centres, why would a customer wait 3-7 days for a pickup order? Given Australia's size, a delay is expected for remote stores, but not for populated centres. To get it right in omni-channel retail, pickup orders need to be a faster option to delivery.

PICKUP DELAY IN HOURS

N=200
Source: OrderDynamics, Jun 2017

69.2%
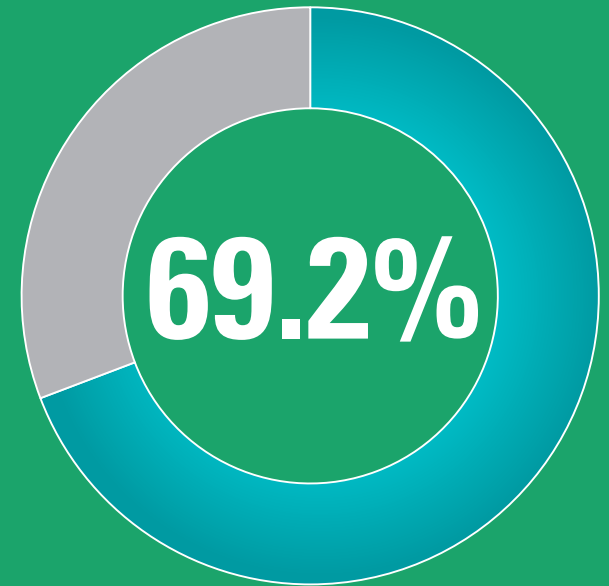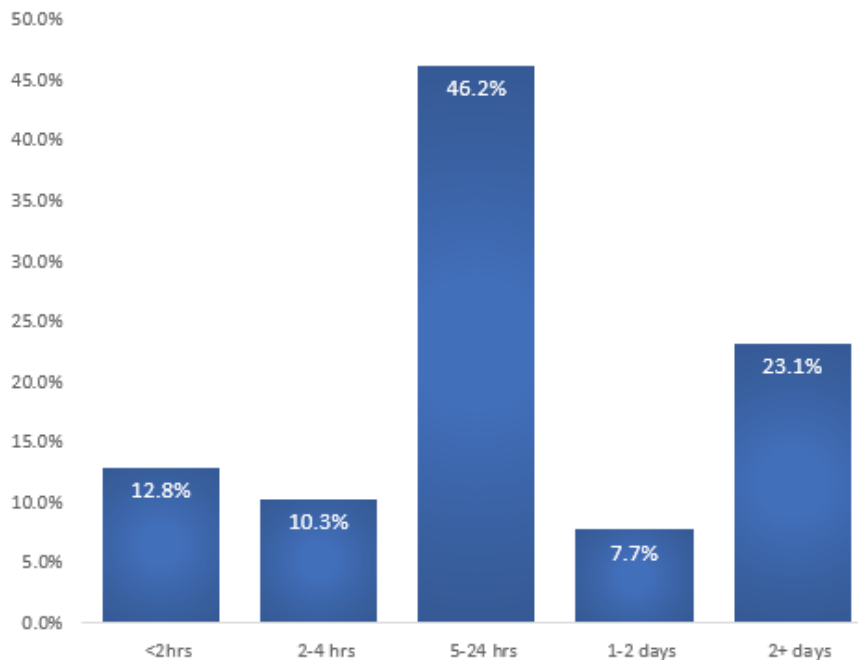
"Sixty-nine percent of retailers will have an order ready for pickup within 24 hours."

RETAILER SIZE AND PICKUP TIMING

Pickup timing delays are shown below by retail store size. Across the size groupings, it is clear that larger retail chains are more likely to support omni-channel practices. Most click and collect retailers do a good job at stating their expected delay between an online order placement and readiness for pickup. However, the larger omni-channel retailers are more likely to state this delay expectation online (refers to column 'Count' under 'Pickup Delay Stated in Hrs'). Average pickup delays decrease significantly for larger retail chains. Chains of 251+ stores commit to almost half the pickup delay time (25.8 hrs) stated by the average 10-50 store merchant (46.0 hrs).

Larger retail chains commit to shorter pickup time frames likely due to their early adoption of omni-channel retail strategies in the Australian market. With early adoption, larger chains will have had more experience and time to monitor, adapt, and improve their pickup processes. Without this experience and field tested timing information, smaller chains have been more reluctant to commit to shorter and more aggressive pickup timing. We expect this range of pickup delays to shrink within the next two to three years, as omni-channel adoption grows in Australia.

On the low side of the equation, each retail chain group had at least one retailer with an online pickup delay commitment of 1 hour or less. This is exceptional, from a customer's perspective. Shoppers are often interested in omni-channel retail as an alternative to lengthy perceived online deliveries. As an example, Millennials cited deliveries taking too long, as a criticism of online shopping, more than either Baby Boomers or Generation X, in an 18,430 shopper study in 2017 by KPMG.[6]

Honours go to EB Games, Jeanswest, Zing Pop Culture, and Fantastic Furniture. Each listed 1 hour or better commitments on pickup orders. This sets an aggressive expectation with customers, and notably differentiates their offering. Compare a 1 hour order pickup delay commitment against a retailer with a 7 day commitment. Most shoppers will not hesitate to choose the retailer with the faster service, in this case, a 99.4% improvement in speed.

Retailer Store Count	Retail Chains	Click & Collect		Pickup Delay Stated in Hrs				
		Count	%	Count	%	Avg	Low	High
10-50	107	15	14.0%	13	86.7%	46.0	1	168
51-100	41	11	26.8%	9	81.8%	30.6	1	168
101-250	40	18	45.0%	17	94.4%	32.9	1	72
251+	12	7	58.3%	7	100.0%	25.8	1	72
Total	**200**	**51**	**25.5%**	**46**	**90.2%**	**34.6**	**1**	**168**

N=200
Source: OrderDynamics, Jun 2017

order dynamics

72.5%
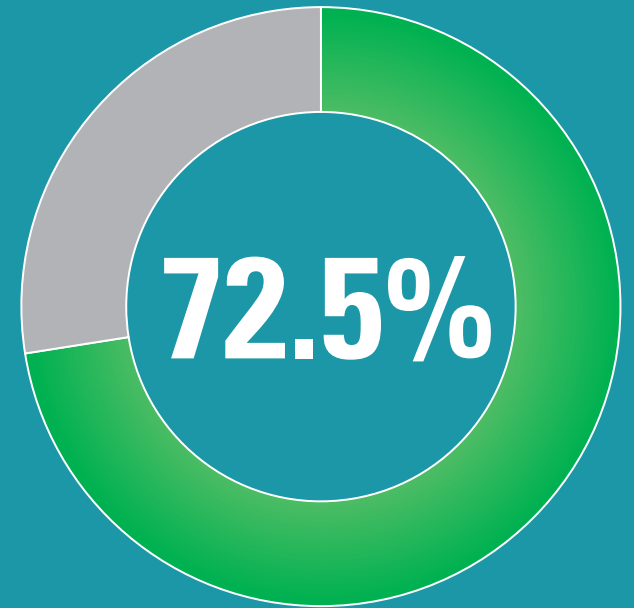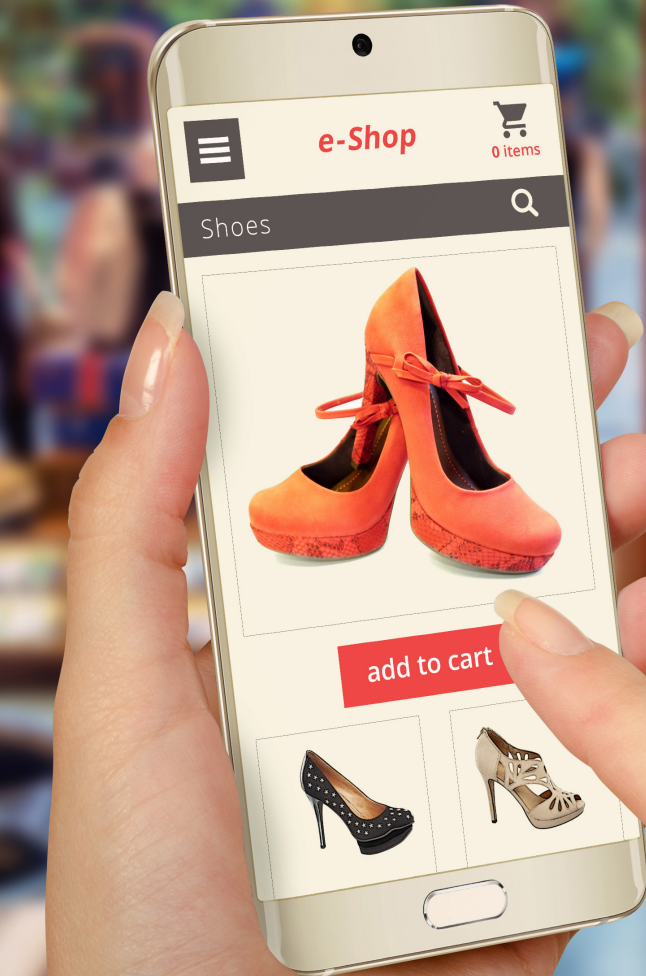
"Retailers across Australia realize the importance of inventory visibility, as 72.5% provide at least a basic in-stock indicator on their site."
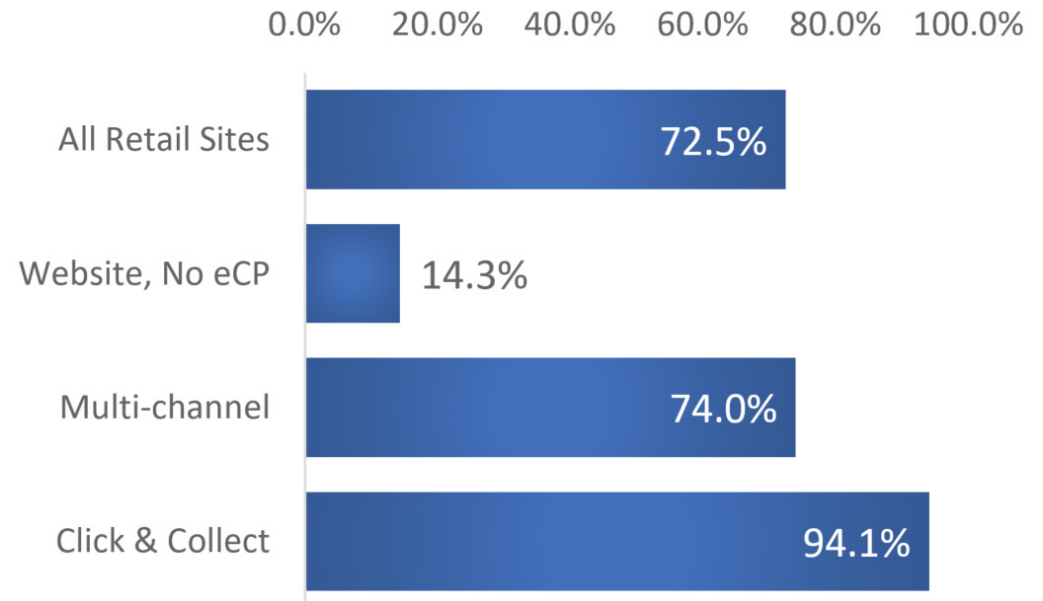
ONLINE INVENTORY VISIBILITY LEVELS

Inventory visibility is important to Australian consumers, as most retailers have realized. 72.5% of all retail sites showed at least a basic 'in-stock' alert or indicator for the merchandise shown on their websites. Retailers without an ecommerce presence (not selling online), were significantly less likely to offer their stock visibility to customers. Given that inventory visibility is among the first steps in the customer journey, those that do not provide stock visibility will be at the greatest risk of losing customers.

74.0% of multi-channel retailers like Just Jeans (online store and physical stores, but not offering a seamless click & collect services) have a basic 'in-stock' or 'out-of-stock' indicator to help online shoppers.

Among click and collect retailers, inventory visibility jumps to 94.1%. In fact, among these omni-channel retailers, 58.8% provided inventory visibility at the store level, and 17.6% showed store level stock details, including the number of items found in that location.

Retailers often debate the right level of inventory visibility they should show online. It is arguable that the competitors may monitor a retailers site and use their inventory intelligence to craft counter strategies. This is possible. Yet, retailers must counter these fears with the expectations of their shoppers. For a shopper, knowing that there are 4 dress shirts in a store near them, may entice them to drop in for a purchase, or pickup. Knowing there is only 1 dress shirt left, may put a sense of urgency to locking in the purchase online for an afternoon pickup. Used effectively, this information can help a retailer actually drive more sales. What can also be stated with confidence, is that lacking any merchandise availability information will gradually drive shoppers away.

BASIC INVENTORY VISIBILITY ACROSS RETAIL SITES

N=200
Source: OrderDynamics, Jun 2017

INVENTORY VISIBILITY BY RETAILER SIZE

The Omni-1000 study reviews three levels of online inventory visibility. First is basic inventory visibility, in which customers can find an overall stocking level indicator. It is either 'in-stock' or 'out-of-stock'. Second is stock information provided at the store level. Does a specific store have inventory of the desired item. For most cases, the location is listed with an 'in-stock' or 'no-stock' identifier. Third is detailed stock level information, at the store level. Here customers see the specific inventory count of a particular product at the store level. For example, the system will show a customer that 3 units of a particular shirt are available at the downtown location at 15 Main Street.

Easiest to deploy is the basic inventory visibility indicator. As seen, 72.5% of all retailers have basic inventory visibility, yet only 7.0% of all retailers in Australia have detailed unit counted merchandise visibility down to the store level. With growing adoption of advanced order management systems, and growing consumer expectations; detailed level stock visibility is expected to rise.

Basic stock visibility is relatively consistent regardless of retail chain size, ranging from 66.7% to 71.0% adoption. Visibility at the store level (in-stock at a particular location), drops to 24.5% across retailers. Most significant here is the low adoption among smaller chains of 10-50 stores. As in previous examples, this is expected to change as the adoption of order management systems grows in smaller and medium sized retail chains. Finally, detailed inventory visibility showing both store locations and unit level details, is lowest across all chain sizes. Adoption of this advanced stock visibility capability is lowest in Australia. No chain size stood out as significantly more advanced in this respect.

Retailer Store Count	Retail Chains	Basic Inv.Vis. Count	Basic Inv.Vis. %	Store Inv.Vis. Count	Store Inv.Vis. %	Detail Inv.Vis. Count	Detail Inv.Vis. %
10-50	107	76	71.0%	21	19.6%	7	6.5%
51-100	41	30	73.2%	14	34.1%	2	4.9%
101-250	40	31	77.5%	10	25.0%	4	10.0%
251+	12	8	66.7%	4	33.3%	1	8.3%
Total	200	145	72.5%	49	24.5%	14	7.0%

N=200
Source: OrderDynamics, Jun 2017
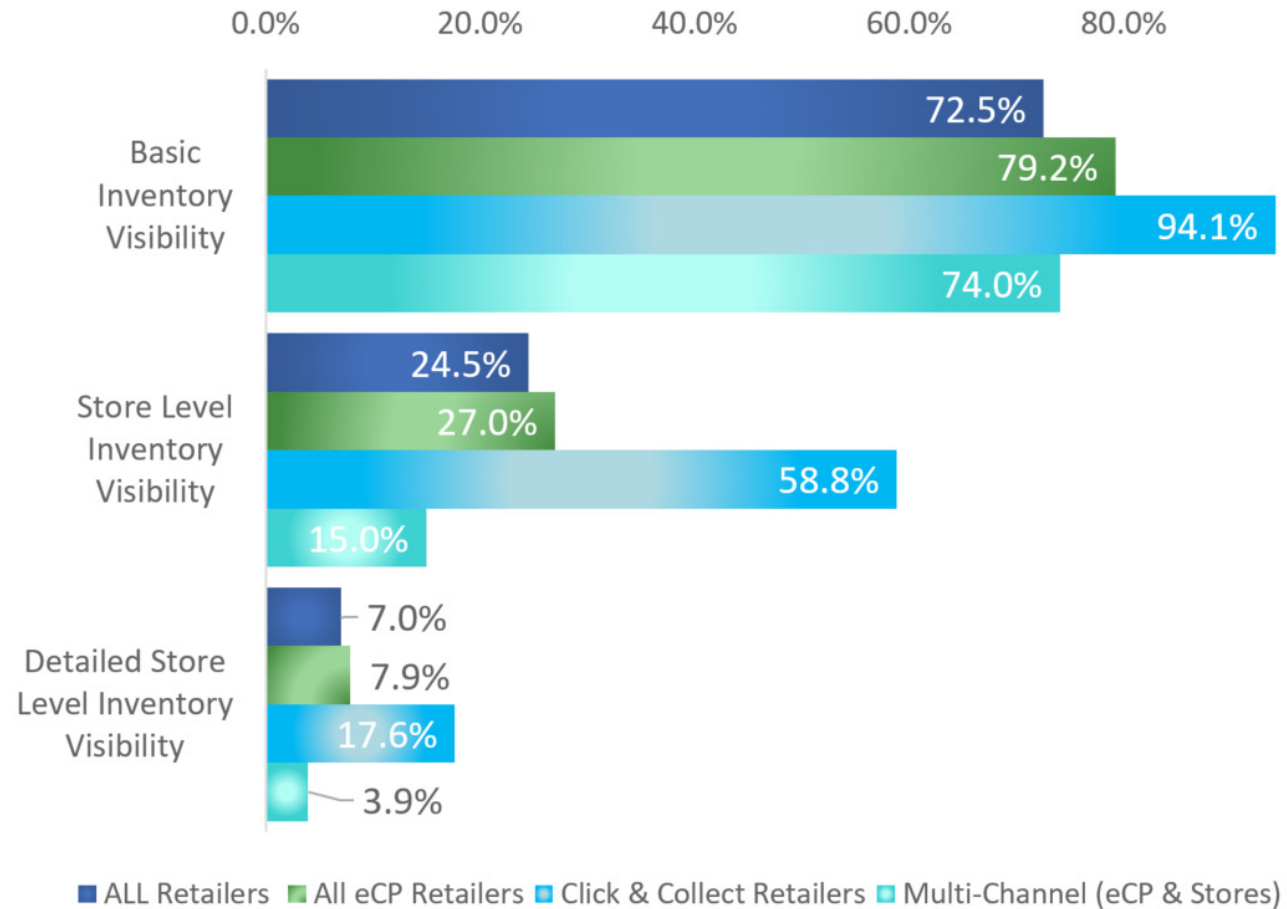
STOCK VISIBILITY BY RETAIL TYPE

Comparing stock visibility by a channel centric view of retailers shows that click and collect retailers tend to have more sophisticated inventory capabilities. Focusing on the sky-blue bars (3rd bar down in each set), it shows that chains with click and collect services, are more likely to offer customers inventory visibility at each level of detail; basic, store level, and detailed. This is not surprising given that good inventory visibility is key to the omni-channel purchasing process for shoppers, especially online shoppers.

Customers interested in completing a BOPIS order (buy- online-pickup-in-store), want to see if a store has inventory of the items they want to purchase and pickup. In this case, showing inventory levels makes sense. It drives in-store traffic, and the likelihood that a shopper will choose to pickup the order. As expected, click and collect retailers were more than twice as likely to have store level inventory visibility compared to other retailers.
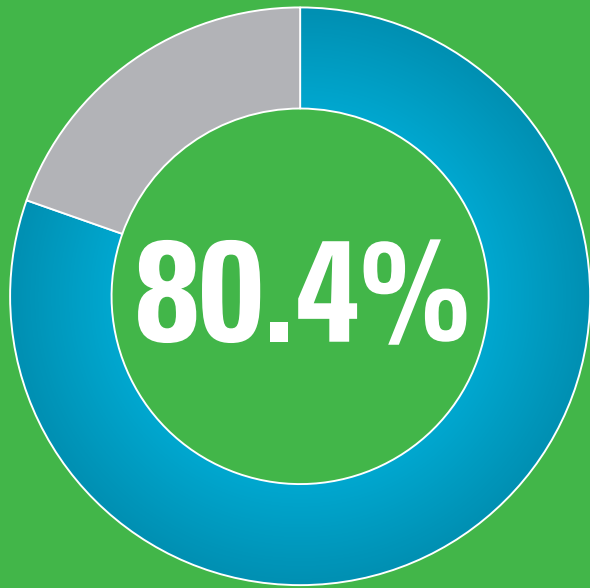
Almost all click and collect retailers had at least basic inventory visibility shown on their websites, at 94.1% across Australia's retail sector. Store level inventory visibility was also high with omni-channel retailers, at 58.8%. Again, this makes sense given that a customer is more likely to come into a store for a pickup, if they find that a product is available immediately.

Even retailers without click and collect capabilities are encouraged to provide store level stock visibility for their clients.

INVENTORY VISIBILITY BREAKDOWN BY RETAIL STRATEGY

Basic Inventory Visibility: 72.5%, 79.2%, 94.1%, 74.0%

Store Level Inventory Visibility: 24.5%, 27.0%, 58.8%, 15.0%

Detailed Store Level Inventory Visibility: 7.0%, 7.9%, 17.6%, 3.9%

■ ALL Retailers ■ All eCP Retailers ■ Click & Collect Retailers ■ Multi-Channel (eCP & Stores)
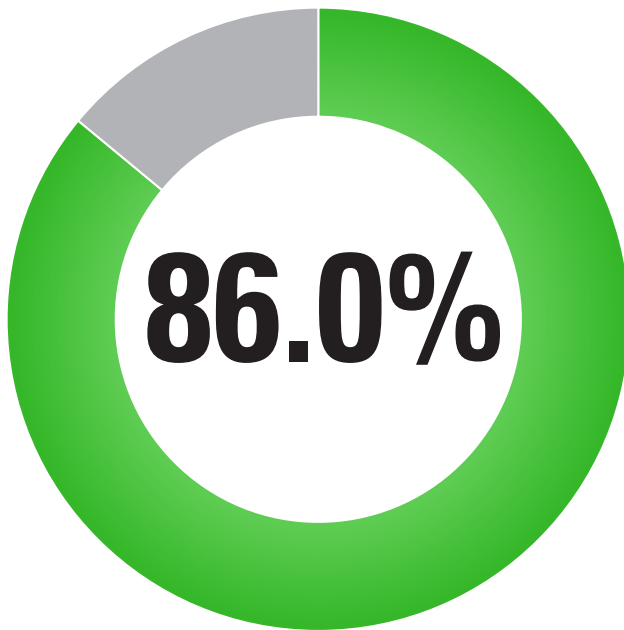
N=200
Source: OrderDynamics, Jun 2017

order dynamics

80.4%

"Most retailers offering BOPIS services (80.4%) expressly accept on-line purchases to be re-turned in-store (BORIS)."

RETURNS POLICIES

86.0%

80.5%

1.0%
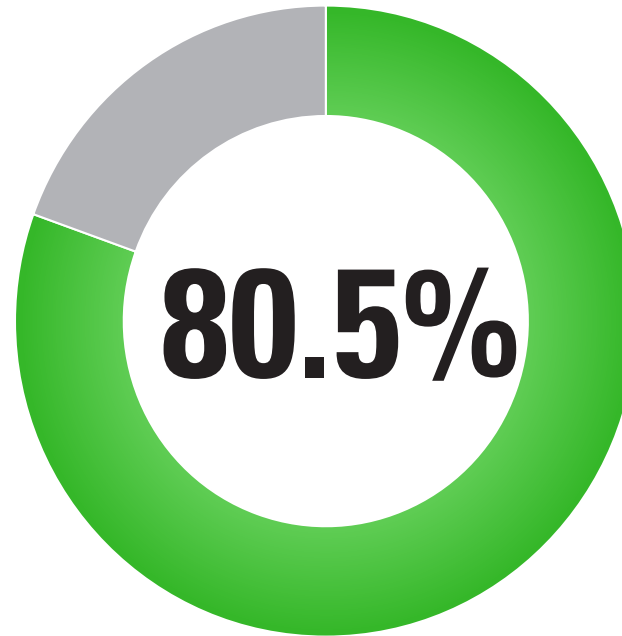
Clear Returns Policy

Years of customers complaining about cryptic and difficult to understand returns policies have paid off. Most of today's Australian retailers (86.0%) have clear, return policies - written such that shoppers can understand them. In many cases, retailers used common language, bulleted key points, and made the time to return items easy to find. Fortunately, all Australian sites in this study included return policies.

Jargon Free Returns Policy

Related to a clear returns policy, is a jargon free one. Again Australian retailers have largely cleared up the legal jargon from their returns policies. This is important given that 82.5% of customers will purchase products online (either for shipment or pickup), based on a favourable returns policy.[3]

Naturally, there is still room for retailers to improve, given that 17.5% of the policies are still influenced by legal terminology. This is a poor practice, as it ultimately confuses most consumers.
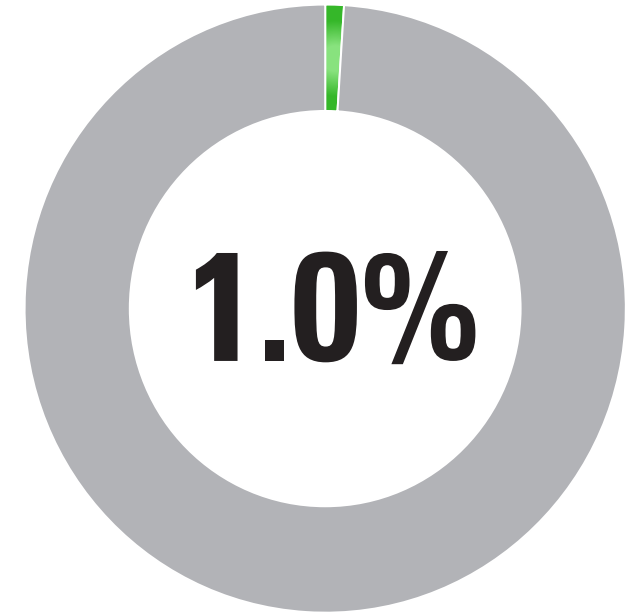
Returns Restocking Fees

Very few retailers have a restocking fee outlined, either for in-store or online merchandise returns. The 1.0% of retailers with restocking fee policies were high end fashion and Jewellery | Accessory vendors. Restocking fees have become a rarity for most retailers.
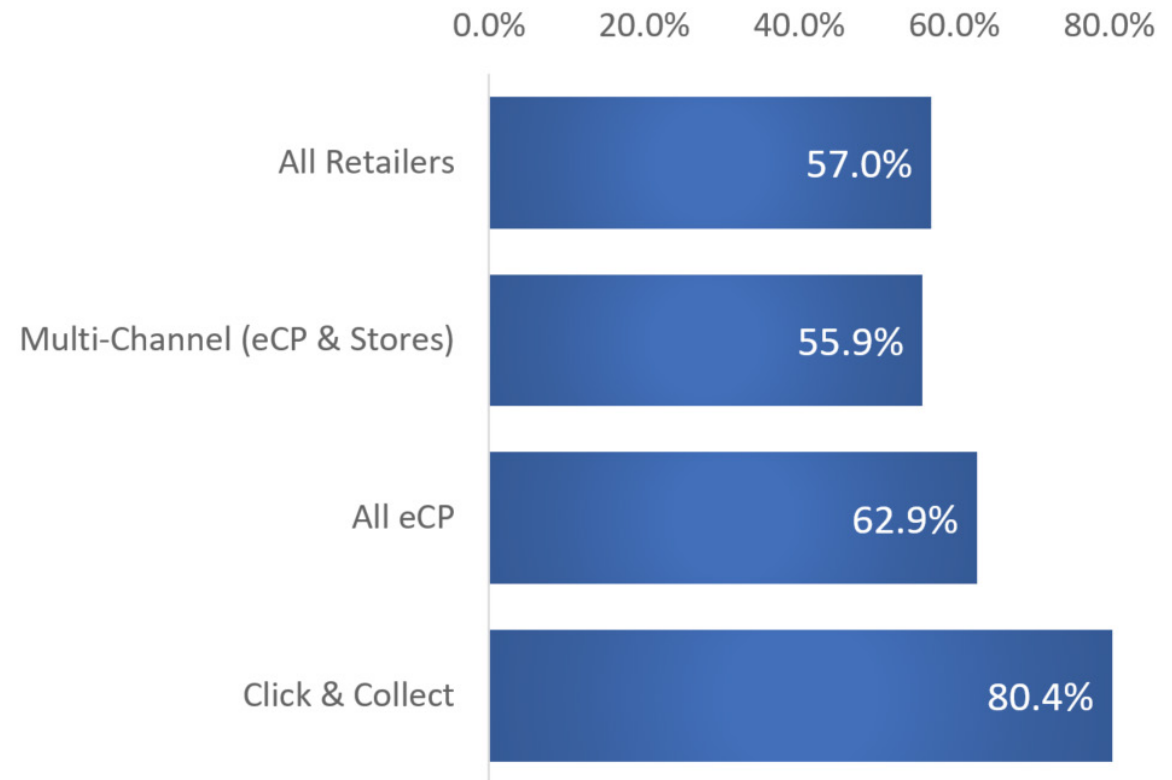
N=200
Source: OrderDynamics, Jun 2017

Buy-Online-Return-In-Store (BORIS)

Having a favourable returns policy is important to consumers. In fact 82% of consumers state they will proceed with a purchase if there is a favourable policy in place.[3] Part of that policy includes whether an item can be returned to a physical store, even if it was purchased online. Known as Buy-Online-Return-In-Store (BORIS), it is equally popular with online only shoppers. It is interesting that among consumers, 60% prefer to return merchandise in-store regardless of the channel from which the item was purchased.[4]

Giving customers a BORIS option, means retailers are making the entire purchasing journey easier (which includes returns). Thus far, this has been a distinct advantage bricks and mortar retailers have had over ecommerce pureplay retailers, like Amazon. For Australia, this can be a strong point to emphasize to consumers, along with the full omni-channel offering. Amazon's immediate entry into Australia in 2018 will probably focus on penetrating the retail market in a pureplay ecommerce fashion.

Currently, the vast majority of click and collect retailers do take in-store returns of online purchases, at 80.4%. However, multi-channel retailers, which have an online ecommerce presence, and have stores, but DO NOT offer the full gamut of omni-channel retailing; need to improve their offering. Just over half of these retailers (55.9%) offer BORIS.

BUY-ONLINE-RETURN-IN-STORE BY RETAIL STRATEGY

All Retailers	57.0%
Multi-Channel (eCP & Stores)	55.9%
All eCP	62.9%
Click & Collect	80.4%

N=200
Source: OrderDynamics, Jun 2017

Days to Return

Keeping an eye on both providing customers with favourable return terms, while watching competitive positioning, is an important balancing act. Australian retailers' most popular return days allowance is the 0-29 day range at 41.5%.

Across Australia, the next highest category is 30-59 days, with 32.0% of retailers offering merchandise return terms in this range.

Across the US, UK and Canada, Amazon offers 30 day terms, for most products. It is likely this will be their policy for Australia, as well.

Another differentiation possibility for Australian merchants, is to either provide 60 day return terms, either as a promotional offer, or as standard terms. Although this may increase liability exposure, only 1.5% of retailers are in the 60-90 day terms category. Along with offering omni-channel services, it can be a good way to emphasize the merchant brand's flexibility, and placing customer concerns above all others.

Current missed opportunities among retailers are the 24.0% who do not state their returns policy, or are unclear about the number of days customers have to return an item. As stated on the previous page, 82% of consumers will make an online purchase if the return terms are favourable.[3] Therefore, it might just convince a consumer to shop elsewhere.

RETAILER RETURN DAYS ALLOWANCE

Category	Percentage
Not Stated	24.0%
0-29	41.5%
30-59	32.0%
60-90	1.5%
91-365	1.0%
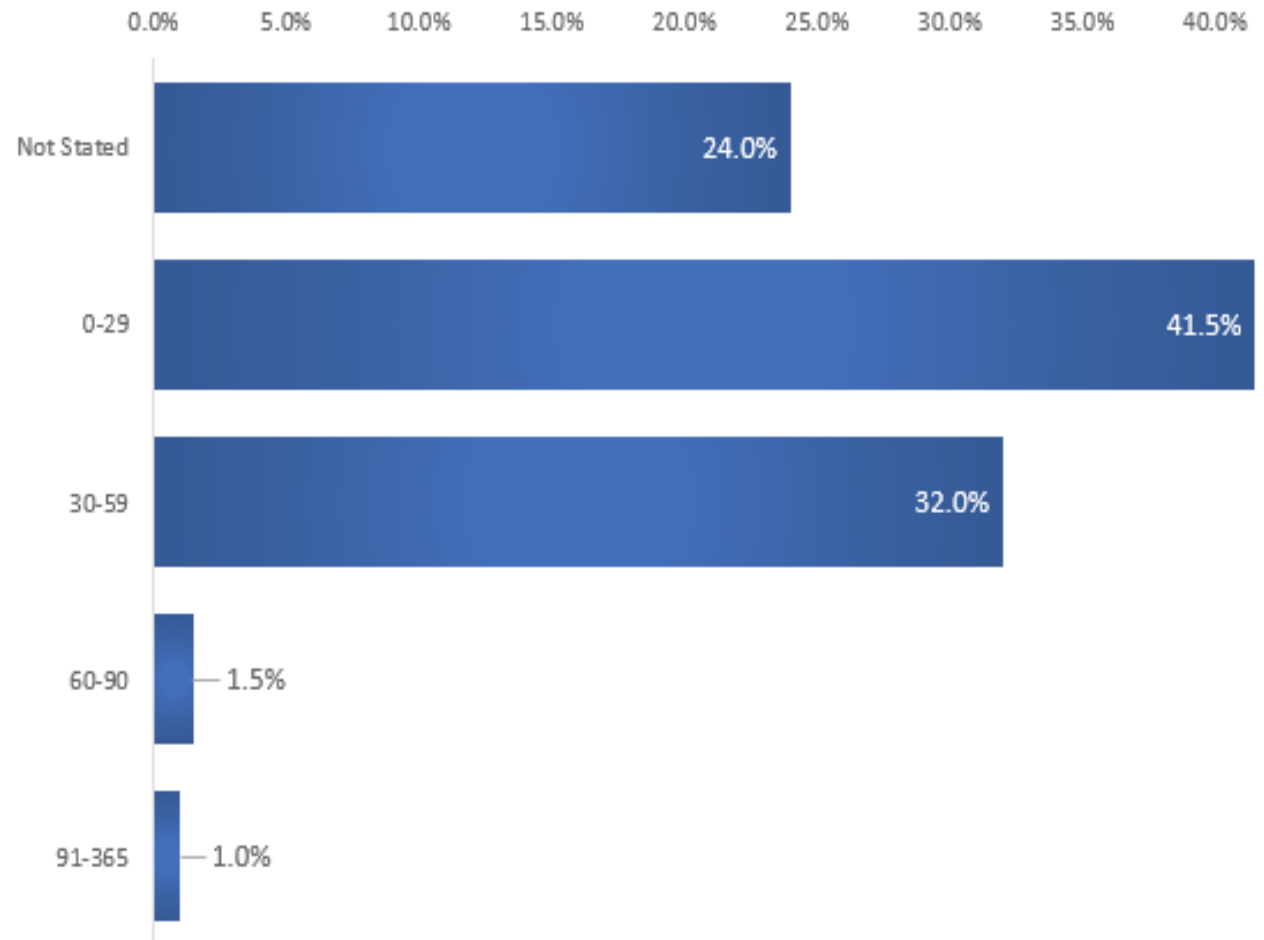
N=200
Source: OrderDynamics, Jun 2017

RETURN ALLOWANCE RANGES

As shown in the previous graph, the 0-29 day returns allowance is the most popular range for merchants. It is not merely for fashion and footwear, either. Most Australian retail sub-sectors are skewed toward 0-29 day return terms. In preparing for Amazon's arrival, retailers in categories popular on Amazon may want to test unconventional return ranges. Since online shoppers are highly focused on returns before making a decision to purchase, a more shopper-favourable range may tip the balance toward your brand. Given that click and collect starts online, returns may be a subtle tool to drive greater sales volumes.

Knowing that in-store returns are also very important to shoppers, Australian retailers have an opportunity to highlight that customers can return online purchases directly to physical, bricks & mortar stores. Since most consumers prefer in-person returns, this is an immediate advantage over online pureplay retailers, including Amazon. In fact, it is a double win. Shoppers feel that the in-store return is a benefit of shopping with their retailer of choice. For the retailer, accepting returns in-store means reducing the cost of the return shipment. It also lets the retailer immediately add the returned item to inventory, and even immediately re-shelf those items that are in good sellable condition. To top it all off, by actively calling attention to this customer option, Australian retailers can use BORIS as a memorable differentiator.

Retail Sector	Sector Count	Days To Return Merchandise					BORIS	
		N/A	0-29	30-59	60-90	91-365	Count	%
Fashion	91	14	42	32	2	1	56	61.5%
Footwear	23	2	9	11	0	1	13	56.5%
Jewellery|Access.	17	4	7	6	0	0	11	64.7%
Specialty	14	3	7	4	0	0	9	64.3%
Department	12	6	5	1	0	0	7	58.3%
Home Furnishing	11	3	2	5	1	0	6	54.5%
Health | Cosmetics	9	3	3	3	0	0	3	33.3%
Toys|Hobby|Sporting	8	2	5	1	0	0	5	62.5%
DIY|Auto|Indust.	8	8	0	0	0	0	0	0.0%
Electronics	7	3	3	1	0	0	4	57.1%
Total	**200**	**48**	**83**	**64**	**3**	**2**	**114**	**57.0%**

N=200
Source: OrderDynamics, Jun 2017

33.3%
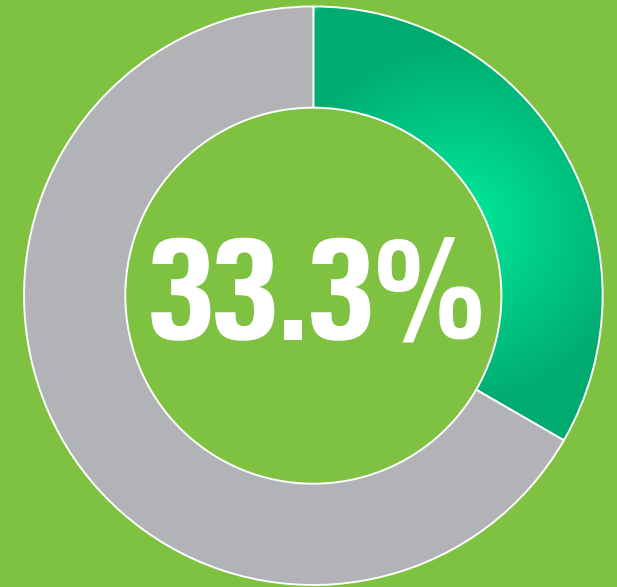
"One third of Australian retailers show click & collect options ONLY at the end of the online purchasing journey."

Omni-Channel in Australia

Overall, the Australian retail market is still new to omni-channel retail. As a strategy it has been discussed thoroughly, yet only 25.5% of Australian retailers offer click & collect today. Buy online pickup in-store (BOPIS) can be an important revenue driver. It gives consumers more flexibility, and options. Shopper adoption is growing. Best of all, on a pickup, 58% of consumers buy more items while in store.[2] Simply put, that means sales revenue growth. At the moment, the early 25.5% of merchants are reaping the benefits while the rest of the industry catches up.

74.2% percent of Australian retailers offer free shipping. Due to Australia's vast landscape, only 2.3% offer free shipping for basket sizes of $25-$49. However, this may be Amazon's target basket size for free shipping when they arrive in 2018. Most offer free shipping for baskets of $50 right through to $150 and higher. This range is important to maintain margins, but will be under pressure in 2018. Shipment consolidation capabilities in retailers' order management systems will be particularly important due to the high cost of shipping goods in low density regions like the Northern Territory.

Aside from the obvious recommendation that more Australian retailers embrace an omni-channel strategy, several others are notable. Although 66.7% of click and collect merchants advertise it on the first page, one third offer the service but only announce it in the final stage of the sale! For a market new to omni-channel, click and collect services need to be announced prominently. Even among those highlighting in-store pickup options, almost all sites merely showed a small 'online pickup' note on page. Differentiating a retail brand can be as simple as posting a small ad on the front page highlighting the convenience, speed and ease of in-store pickup orders.

Not surprising is that most retailers only offer one pickup option (in-store) at 88.2%. Be it a pickup locker, curbside pickup, or pickup at a postal outlet - there are convenience options that customers may appreciate. Today, only 3.9% of merchants offer three or more options. Remember, these steps ultimately reduce the cost of shipping goods.

To make sure customers appreciate the service, and become repeat omni-channel shoppers, they must have an experience worth discussing. Fortunately, 69.2% of retailers commit to an order being available for pickup within 24 hours. Most concerning are the 23.1% of merchants that commit to orders being available for pickup over two days after the order is placed! Some state that orders will be available within 3 - 7 days. This is absurd! Most items can be shipped to a shopper's home within that time frame. It makes one wonder why a customer would want to wait that long for a pickup when their purchase could arrive at their door in the same or shorter time.

Of all the retailers included in the study, 72.5% have basic inventory visibility. It is a good start, but only 7.0% provide detailed information about the exact number of units available at a particular location. On the other hand, 17.6% of click and collect retailers provide detailed inventory information. It is an improvement, but this figure should be greater than 70% - 80% (ideally 100%). A robust order management system (OMS) provides real-time inventory visibility across all channels and inventory locations. More retailers need to demand this capability of their OMS / DOM vendors.

On a positive note, returns are handled well in Australia. Most return policies (86%) are clear, and mostly jargon free. This is a major improvement over the 'legal-speak' return policies of yester-year. Few retailers request restocking fees. Best of all, even among multi-channel retailers, 55.9% allow customers to buy online and return in-store.

There are ample opportunities for Australian retailers to get an early start with their omni-channel strategy. Since the market is still actively adopting the practice, retailers moving quickly will still be early adopters. As a nascent market with high online and smartphone penetration, we expect the Australian retail market to expand its omni-channel adoption quickly, within the next two years. Retailers, take heed and get started, if you are not already actively engaged.

OrderDynamics is the world's leading Cloud-based Distributed Order Management Systems provider (OMS / DOM). Focused on powering retail fulfillment, OrderDynamics helps clients win over omni-channel retail shoppers. Our OMS systems gives clients capabilities like order orchestration, real-time inventory visibility, intelligent order routing, returns management, customer service, store driven fulfillment, and order shipment consolidations.

OrderDynamics gives merchants advanced options like click and collect, ship-to-store and ship-from-store. We help retailer create seamless brand experiences using your online and physical store assets. Iconic brands including Speedo, Quiksilver, Columbia Sportswear, J.McLaughlin, JYSK, Princess Auto, Bouclair Home, DeFacto, Brown's Shoes, Crabtree and Evelyn, and Wesfarmers, use OrderDynamics technology across North America, Europe, Asia, and Australia.

ORDERDYNAMICS CORPORATION

Visit www.OrderDynamics.com for more information about Order Management Systems and how we can help optimize your Omni-Channel Retail Business

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