OMNI-1000 Research: US

Are Retailers TRULY Offering Omni-Channel Services To Shoppers?

order dynamics

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 omni-channel retail in action. The research uses 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 American market, it is clear that only 29.1% of retailers offer buy online, pickup in-store (BOPIS) services, also known as click and collect. This means the American 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 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, 38.5% advertise their in-store pickup capabilities on their first web page. More than one half of these retailers 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 American 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 American consumer, retailers have an opportunity to become early adopters in this space.
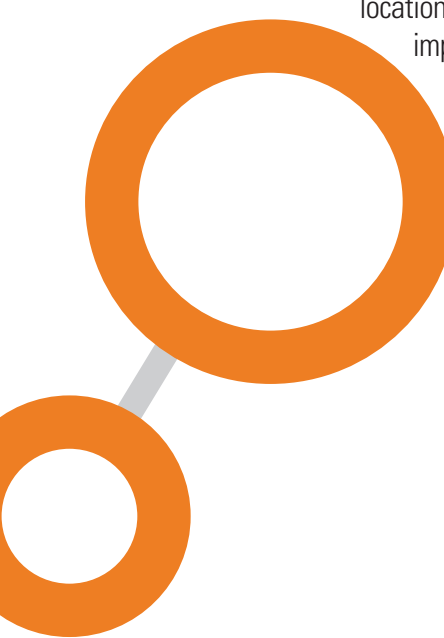
RESEARCH METHODOLOGY

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 the US were found across various categories and geographies. In total, 330 websites were analyzed for the American 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 the US, 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.
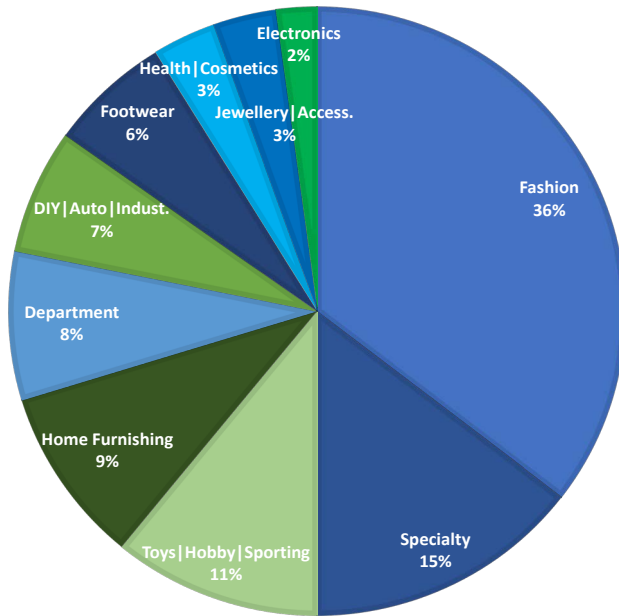
Retailers selected for the study include only those with ten or more physical store locations. This study only includes retailers with some form of web-presence. It is important to note that although all retailers in this study have an online presence, not all have eCommerce capabilities or an eCommerce strategy.

For the American research portion of the Omni-1000 research, the total of 330 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 the US.

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

N=330
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 American market. Fashion and apparel forms the bulk of retailers investigated. Specialty is next at 15%, followed by Toys|Hobby|Sporting (11%), and so on.
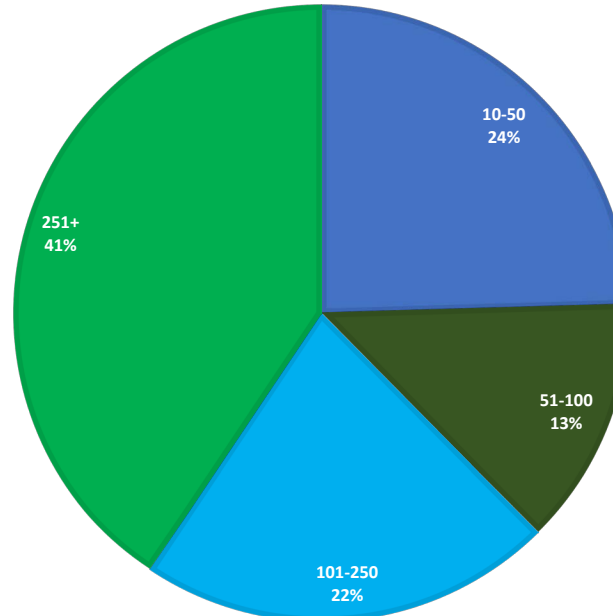
Store Count Sizing

Most American retailers included in the Omni-1000 have 251+ stores or retail locations. Both the 10-50 and 101-250 store retailers were very close in terms of retailers reviewed. The US has a unique and plentiful market, and differs from other regions reviewed in this category, by the proportion of large retail chains.
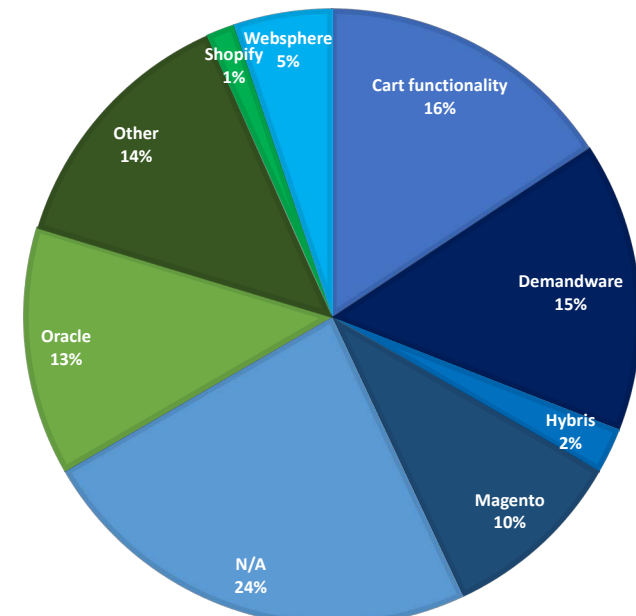
eCommerce Platform (eCP)

A cross section of eCPs shows a robustly competitive market. No one platform dominates in the US. Cart Functionality is the most used at 16%, Demandware represents 15% with the largest share of the retailers reviewed. Notable were Oracle at 13, Magento at 10%, and Other at 14%, being a blend Cloudfront, Prestashop, WooCommerce, and others.
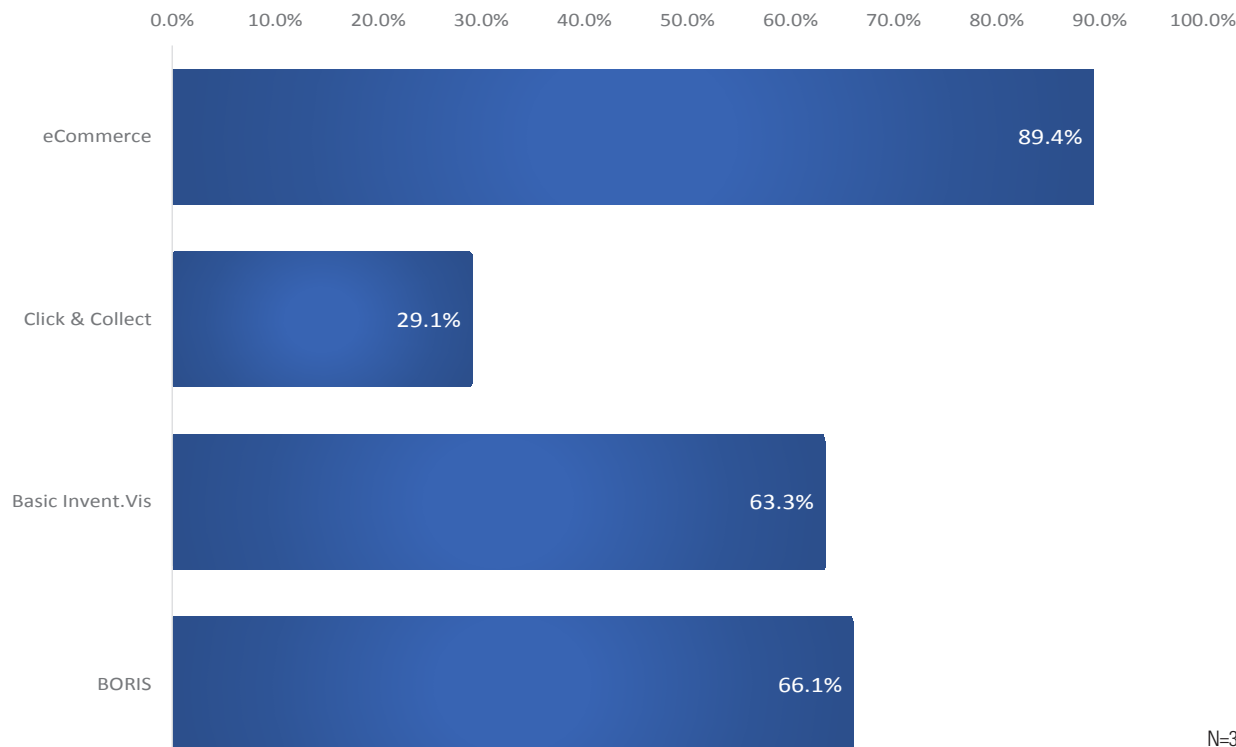
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AMERICAN SNAPSHOT

A snapshot of the American retail market shows that 89.4% of the 330 retail websites investigated have eCommerce capabilities, such that a consumer can create a basket of goods to transact orders online. Although this was expected to be higher, it is a solid launching point for omni-channel retail strategies.

As an indicator of omni-channel capabilities, click and collect (buy-online-pickup-in-store - BOPIS), is currently evident in 29.1% of American retail sites. As omni-channel gains momentum, this figure will grow rapidly over the next 24 months.[1] Although only one in five American retailers offer click and collect to shoppers, 63.3% provide at least a basic level of inventory visibility online.

Given that shoppers prefer to return merchandise to physical stores, 66.1% of retailers in the US allow shoppers to buy online and return in-store (BORIS).

CAPABILITIES SNAPSHOT

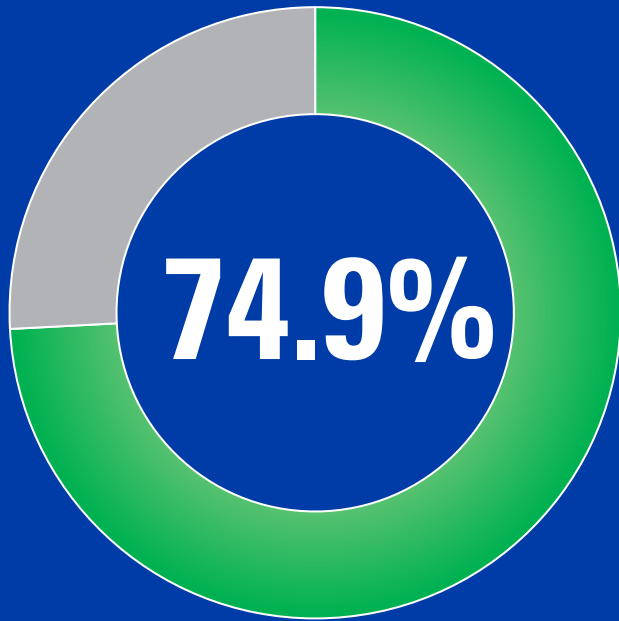| Capability	Percentage
eCommerce	89.4%
Click & Collect	29.1%
Basic Invent.Vis	63.3%
BORIS	66.1%

N=330
Source: OrderDynamics, Jun 2017

29.1%

"Click & Collect, or Buy-Online-Pickup-In-Store (BOPIS) is evident in 29.1% of today's American retail sites."

74.9%

"74.9% of American retailers with an eCommerce site provide a free shipping offer with a minimum purchase."
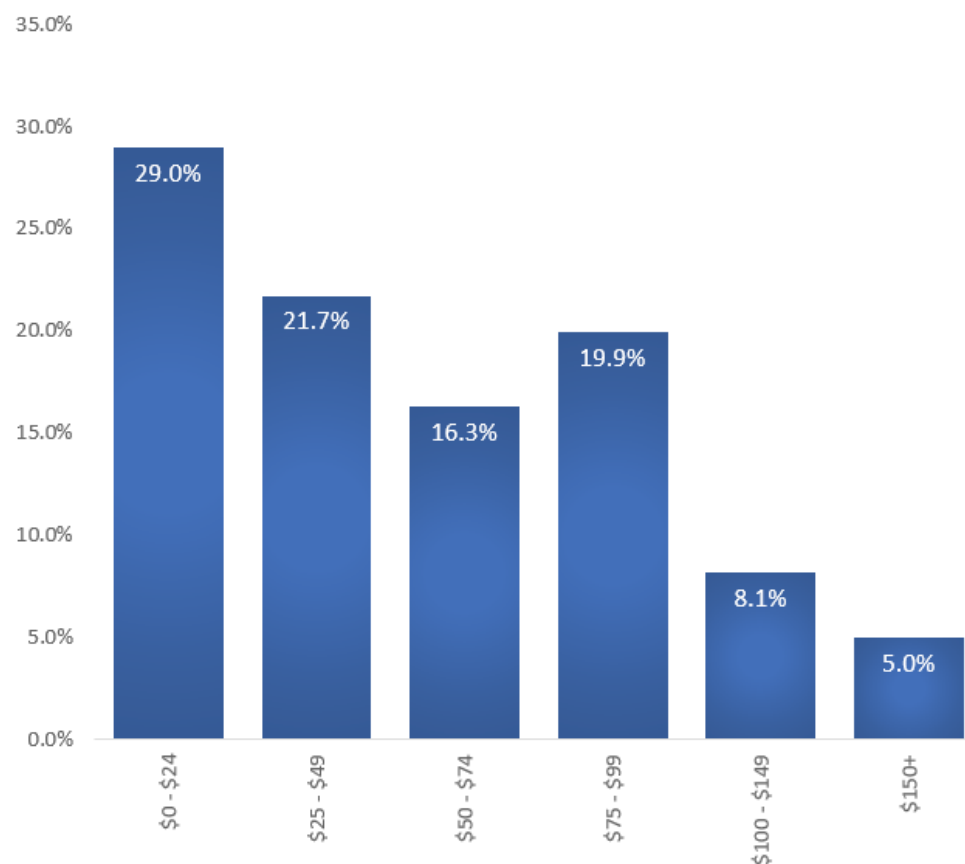
eCOMMERCE FREE SHIPPING

The minimum order value to qualify for free shipping among retailers is heavily skewed to the low end. In fact, the most prevalent minimum order value for free shipping is in the $0-$24 range (USD).

Although Amazon in the US sets the minimum threshold at $25 (USD) Amazon in Canada sets the minimum order value for free shipping at $35 (CAD). Although this may be disruptive, retailers in other markets like Canada, have not gravitated to meet Amazon's free shipping minimum value threshold. Many US retailers are meeting or attempting to beat Amazon's free shipping thresholds, However, given that there isn't an even greater concentration, many US brands are competing effectively without matching Amazon's incentives.

Of the retailers active in the US, 74.9% offer free shipping to online shoppers, with varying minimum order values. Up to 29.0% of retailers offer free shipping for basket values in the $0 - $24 range. Of this group, 93% of eCommerce retailers offer 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. Setting a minimum order value to reach the free shipping incentive means customers will gravitate toward ordering-more goods to meet the threshold. This increases both order value and volume, which is good for retailers.

13.1% of retailers set free shipping minimum orders at over $100. There may be good reason to hold to this higher basket value threshold for free shipping.

FREE SHIPPING WITH MINIMUM PURCHASE

N=330
Source: OrderDynamics, Jun 2017

eCommerce and Free Shipping

FREE SHIPPING BY RETAIL SECTOR

Free shipping is pervasive throughout the eCommerce market space. 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 merchants. Across the US, 74.9% of retailers offer free shipping, at some order value.

Three retail sectors least inclined to offer free shipping are the: DIY|Auto|Indust., Home Furnishing, and Specialty, This may be due to the nature of their products (these products might be impossible, difficult, or very costly to ship). On the opposite end of the spectrum, 95.2% of footwear retailers offer free shipping.

The high side of the minimum order value reaches $799, in the DIY|Auto|Indust. category. Averages across retail sectors gravitate around the $50-$60 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. To reiterate, keep this value as high as the market will bear to drive the basket order value.

Retail Sector	Sector Count	Offer Free Shipping Count	%	Min. Basket for Free Shipping Avg	High Value
Fashion	117	88	75.2%	$55.33	$300.00
Specialty	48	25	52.1%	$48.92	$100.00
Toys|Hobby|Sporting	36	26	72.2%	$49.69	$100.00
Home Furnishing	31	13	41.9%	$83.23	$499.00
Department	26	16	61.5%	$51.38	$100.00
DIY|Auto|Indust.	22	9	40.9%	$129.78	$799.00
Footwear	21	20	95.2%	$64.55	$150.00
Jewellery|Access.	11	10	90.9%	$16.00	$75.00
Health|Cosmetics	11	10	90.9%	$33.80	$50.00
Electronics	7	4	57.1%	$13.50	$35.00
Total	**330**	**221**	**74.9%**	**$55.65**	**$799.00**

N=330
Source: OrderDynamics, Jun 2017

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38.5%
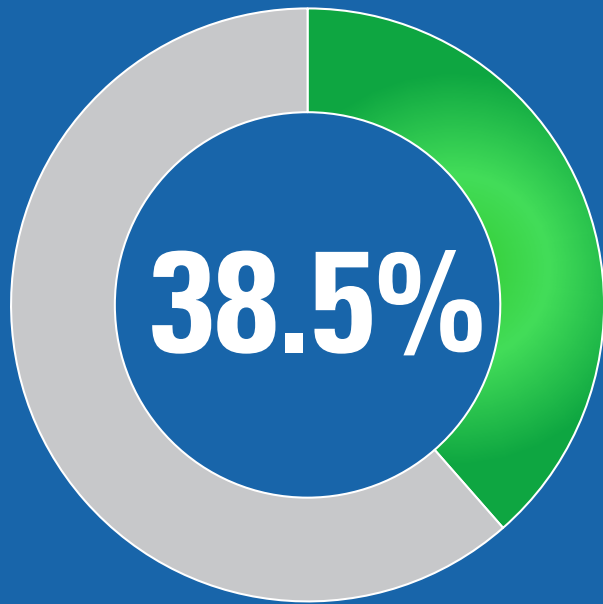
"Across American retailers actively providing in-store pickup services, only 38.5% advertised or called it out on their front page."
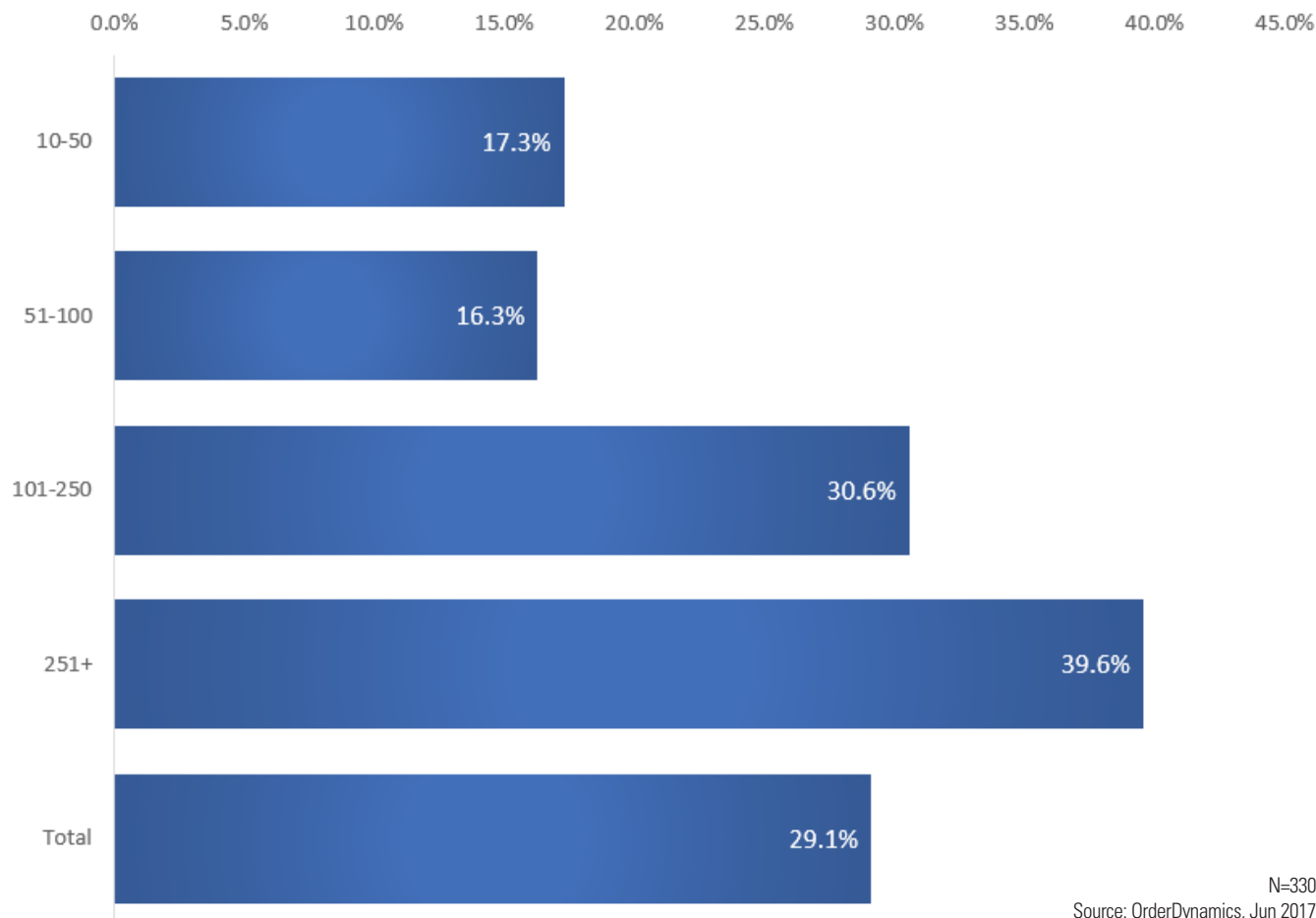
CLICK & COLLECT PROFILE

Shoppers interested in the instant gratification rush of an in-store pickup, today, are best served by large American retailers. Adoption in chains with over 250 stores is more than twice that of smaller retail chains with 10 – 50, and chains of 51-100 stores. Here lies an opportunity for smaller/mid-sized chains to use omni-channel as a competitive edge. Shoppers expect these services from large chains. By adopting in-store pickup, 10-50 and 51-100 store chains can distinguish themselves from competitors in their categories.

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 American retail market is still at an early stage in it's omni-channel maturity. With only 29.1% 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	17.3%
51-100	16.3%
101-250	30.6%
251+	39.6%
Total	29.1%

N=330
Source: OrderDynamics, Jun 2017

CLICK & COLLECT OPTIONS

Various 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, 88.5% 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 8.3% and 3.1%, respectively. This speaks to the relative novelty of omni-channel in America. 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 66.7%. Predominantly this is an email message, however, in a few cases, a telephone call. 6.3% 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, 17.7% 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, 8.3%　3+ Options, 3.1%

1 Option, 88.5%

2 Methods, 6.3%　Not Stated, 17.7%

1 Method, 66.7%
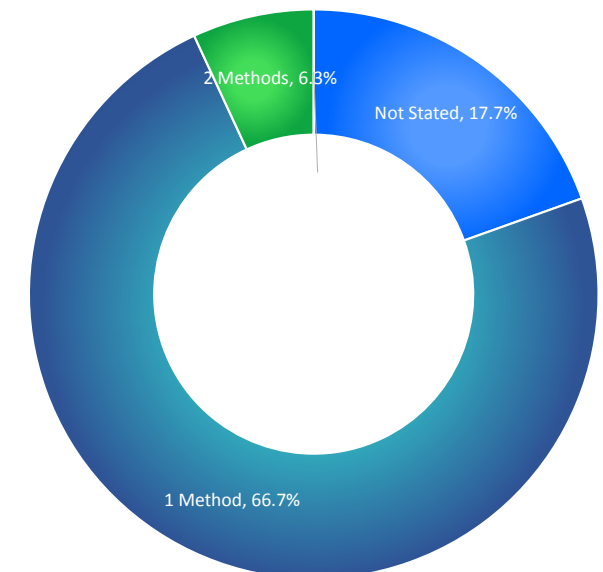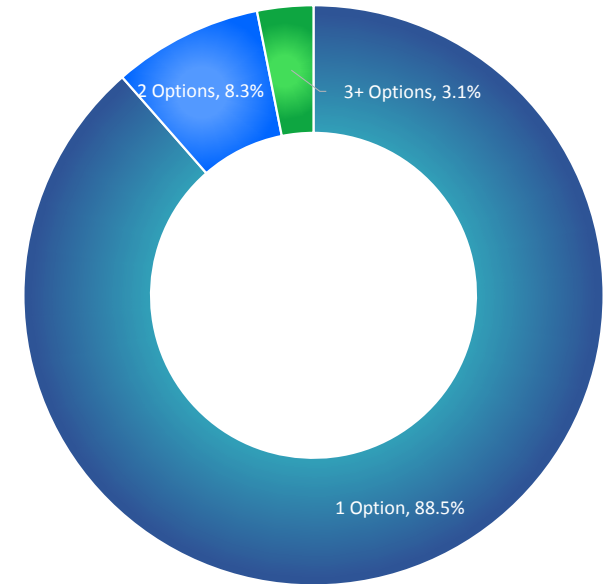
ENGAGING CUSTOMERS

American retailers engaged in omni-channel commerce need to start highlighting 'click and collect' or 'online pickup' options on their front web page. Only 38.5% of retailers informed shoppers of the service, compared to 74.9% 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 61.5% of American retailers are only telling customers about click and collect at the final stage of checkout. This is too late in the sales process.

Surprising was that 17.7% 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 Carter's, Stage and Gap. Each provides easily understood language, and graphically oriented instructions. Although outside of the US, 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.
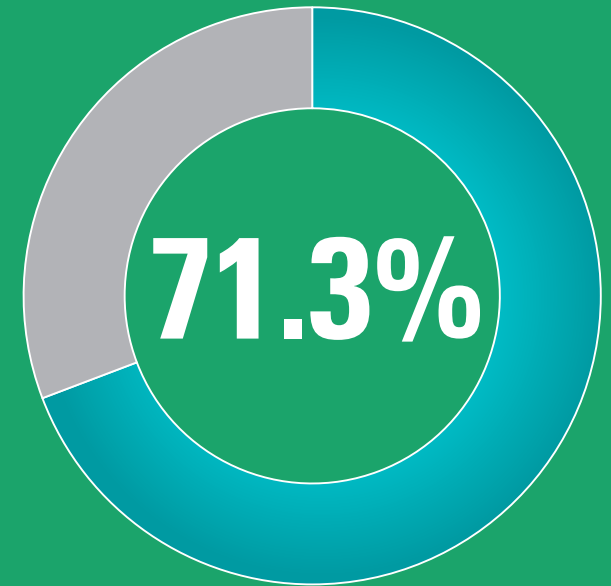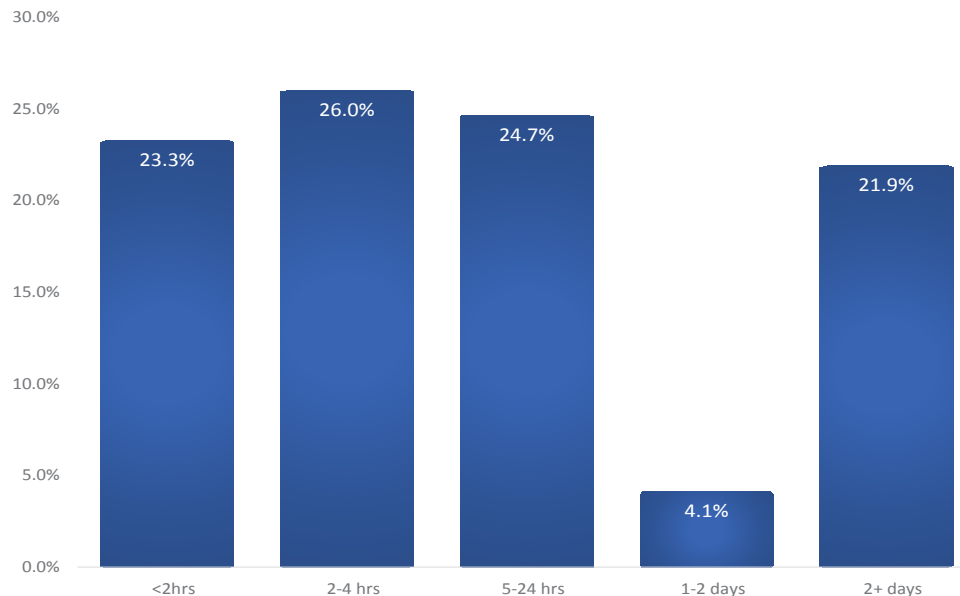
Retail Sector	Sector Count	Click & Collect Avail. Count	%	First Page C&C Ad Count	%	'How-To' Instruct. Count	%	Pickup Alert Count	%
Fashion	117	30	25.6%	10	33.3%	26	86.7%	27	90.0%
Specialty	48	17	35.4%	11	64.7%	14	82.4%	14	82.4%
Toys|Hobby|Sporting	36	9	25.0%	2	22.2%	7	77.8%	7	77.8%
Home Furnishing	31	9	29.0%	0	0.0%	6	66.7%	6	66.7%
Department	26	12	46.2%	6	50.0%	9	75.0%	10	83.3%
DIY|Auto|Indust.	22	9	40.9%	5	55.6%	9	100.0%	7	77.8%
Footwear	21	6	28.6%	0	0.0%	3	50.0%	4	66.7%
Jewellery|Access.	11	1	9.1%	0	0.0%	1	100.0%	1	100.0%
Health|Cosmetics	11	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Electronics	7	3	42.9%	3	66.7%	3	100.0%	3	100.0%
Total	**330**	**96**	**29.1%**	**37**	**38.5%**	**78**	**81.3%**	**79**	**82.3%**

N=330
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 3300 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 44% of American retailers that offer click & collect services 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.

American retailers have adapted well to speeds expected by consumers, as only 4.5% state that orders will be ready for pickup within 1-2 days. Yet, there is room for improvement as 24.2% 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 centers, why would a customer wait longer for a pickup order? Given the size of the US, a delay is expected for remote stores, but not for populated centers. To get it right in omni-channel retail, pickup orders need to generally be a faster option to delivery.

PICKUP DELAY IN HOURS

23.3%	26.0%	24.7%	4.1%	21.9%
<2hrs	2-4 hrs	5-24 hrs	1-2 days	2+ days

N=330
Source: OrderDynamics, Jun 2017

71.3%

"71.3% 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 the online order and it being ready 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. The lowest pickup delay average is the 101-250 stores category. It is interesting that the pickup delay time increases in 251+ stores, as usually larger retail chains are more adapted to the importance of omni-channel services.

Larger retail chains commit to shorter pickup time frames likely due to their early adoption of omni-channel retail strategies in the American market. With early adoption, larger chains will have had more experience and time to monitor, adapt, and improve 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 America.

On the low side of the equation, each retail chain group had at least one retailer with an online pickup delay commitment of 2 hours 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 Baby Boomers or Generation X, in an 18,430 shopper study in 2017 by KPMG.[6]

Honours go to retailers such as Petsmart, Best Buy, and Gap. 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	81	14	17.3%	12	85.7%	43.2	2	168
51-100	43	7	16.3%	6	85.7%	72.1	0.5	168
101-250	72	22	30.6%	16	72.7%	36.2	0.5	240
251+	134	53	39.6%	41	77.4%	48.5	0	360
Total	**330**	**96**	**29.1%**	**75**	**78.1%**	**46.8**	**0.0**	**360**

N=330
Source: OrderDynamics, Jun 2017

63.3%
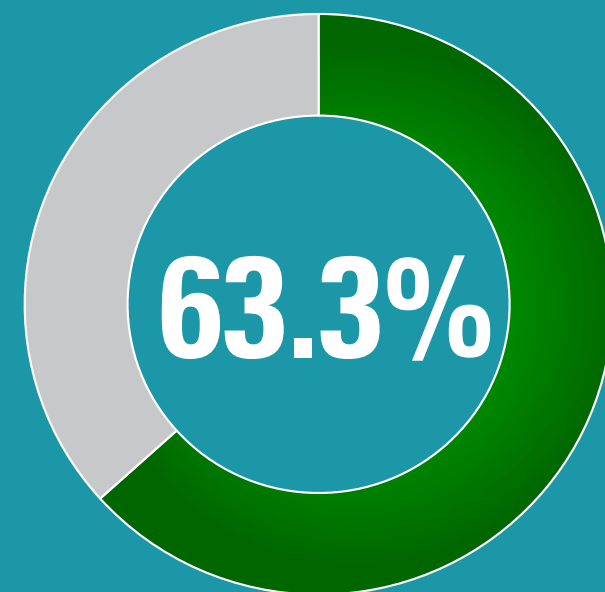
"Retailers across the US realize the importance of inventory visibility, as 63.3% provide at least a basic in-stock indicator on their site."
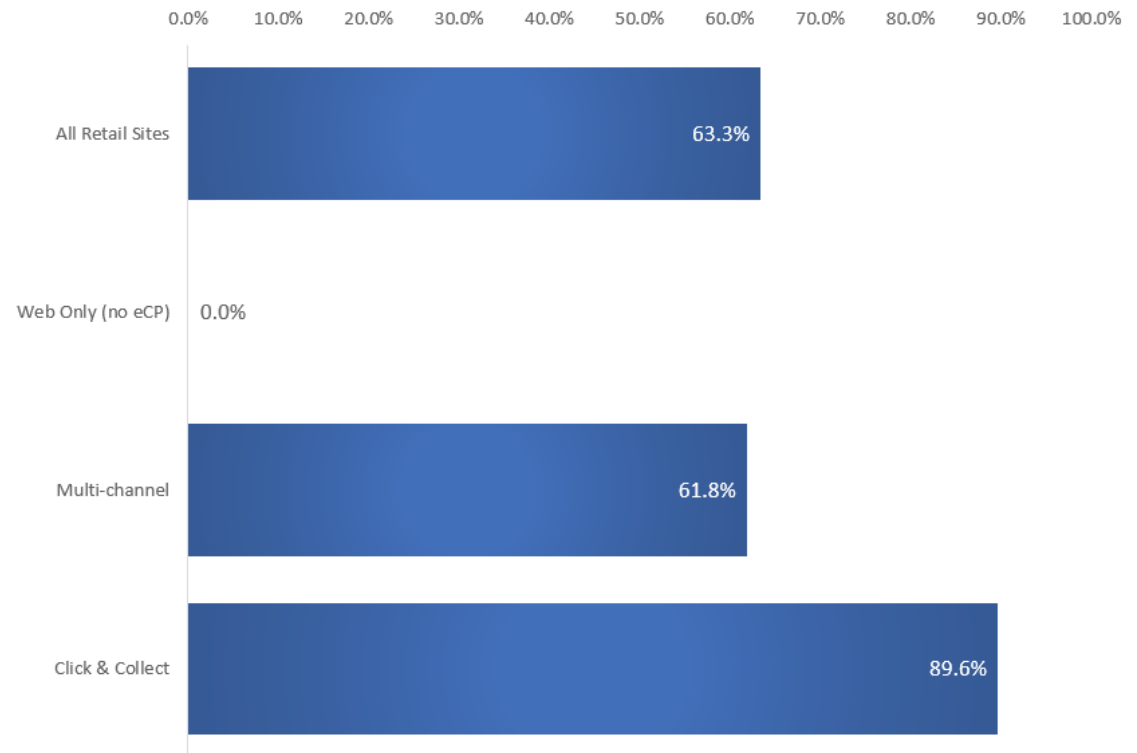
ONLINE INVENTORY VISIBILITY LEVELS

Inventory visibility is important to American consumers. 63.3% 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.

61.8% of multi-channel retailers like Land's End (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 89.6%. In fact, among these omni-channel retailers 66.7% provided inventory visibility at the store level, and 11.5% 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 retailer's site and use their inventory intelligence to craft counter strategies. This is possible. Yet, retailers must balance 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

Category	Value
All Retail Sites	63.3%
Web Only (no eCP)	0.0%
Multi-channel	61.8%
Click & Collect	89.6%

N=330
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, 63.3% of all retailers have basic inventory visibility, yet only 7.3% of all retailers in America have detailed unit-counted merchandise visibility down to the store level. With the 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 58% to 65.7% adoption. Visibility at the store level (in-stock at a particular location), drops to an average of 27% across retailers. Most significant here is the low adoption among smaller chains of 51-100 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. No chain size stood out as significantly more advanced in this respect.

Retailer Store Count	Retail Chains	Basic Inv.Vis.		Store Inv.Vis.		Detail Inv.Vis.	
		Count	%	Count	%	Count	%
10-50	81	47	58.0%	14	17.3%	4	4.9%
51-100	43	28	65.1%	7	16.3%	5	11.6%
101-250	72	46	63.9%	25	34.7%	7	9.7%
251+	134	88	65.7%	43	32.1%	8	6.0%
Total	330	209	63.3%	89	27.0%	24	7.3%

N=330
Source: OrderDynamics, Jun 2017
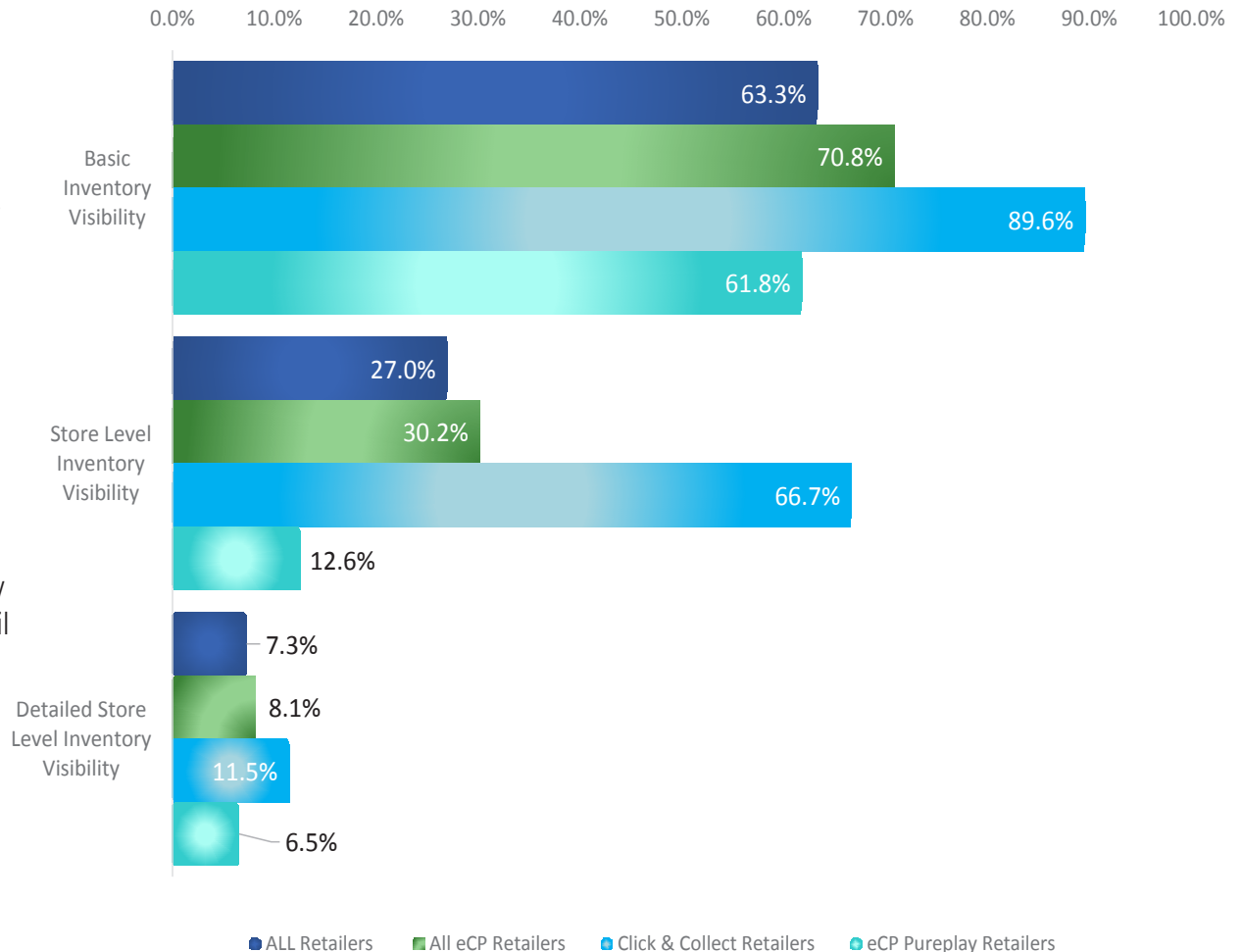
Stock Visibility by Retail Type

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 light 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 likely to have store level inventory visibility compared to other retailers.
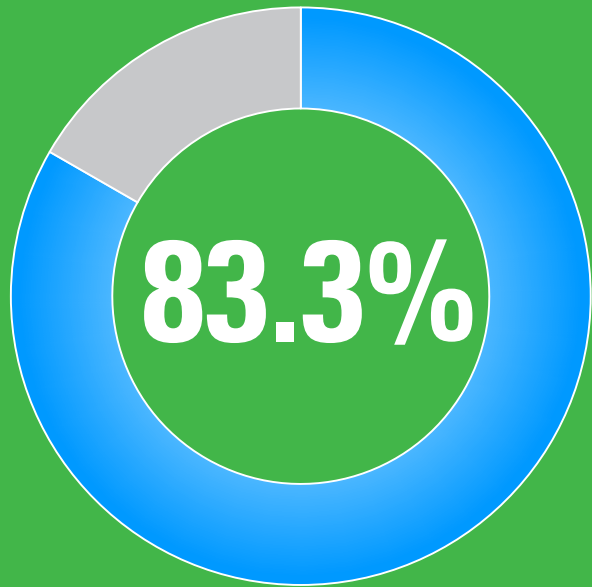
Almost all click and collect retailers had at least basic inventory visibility shown on their websites, at 89.6% across the US retail sector. Store level inventory visibility was also high with omni-channel retailers, at 66.7%. Again, this makes sense given that a customer is more likely to come into 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
- 63.3%
- 70.8%
- 89.6%
- 61.8%

Store Level Inventory Visibility
- 27.0%
- 30.2%
- 66.7%
- 12.6%

Detailed Store Level Inventory Visibility
- 7.3%
- 8.1%
- 11.5%
- 6.5%

● ALL Retailers   ● All eCP Retailers   ● Click & Collect Retailers   ● eCP Pureplay Retailers
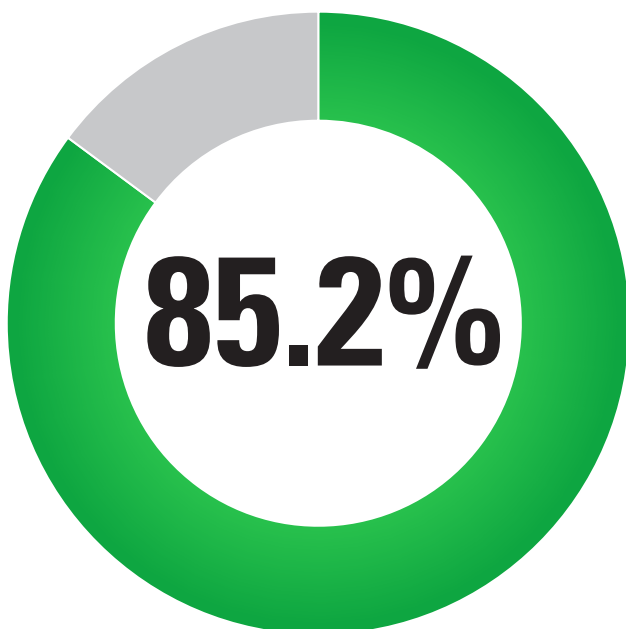
N=330
Source: OrderDynamics, Jun 2017

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83.3%

"Most retailers offering BOPIS services (83.3%) expressly accept on-line purchases to be re-turned in-store (BORIS)."

RETURNS POLICIES

85.2%

76.1%

2.4%
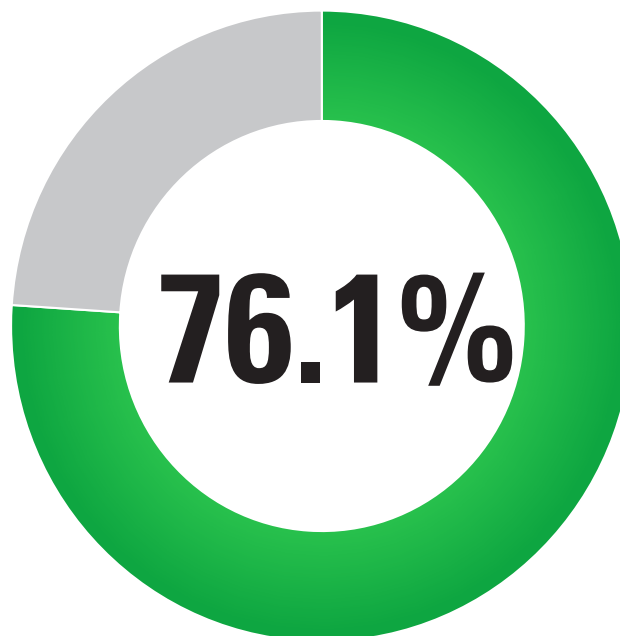
Clear Returns Policy

Years of customers complaining about cryptic and difficult to understand returns policies have paid off. Most of today's American retailers (85.2%) 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 American sites in this study included return policies.

Jargon Free Returns Policy

Related to a clear returns policy, is a jargon free one. Again American retailers have largely cleared up the legal jargon from their returns policies. This is important given that 76.1% 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 23.9% of the policies are still influenced by legal terminology. This is a poor practice, as it ultimately confuses consumers.
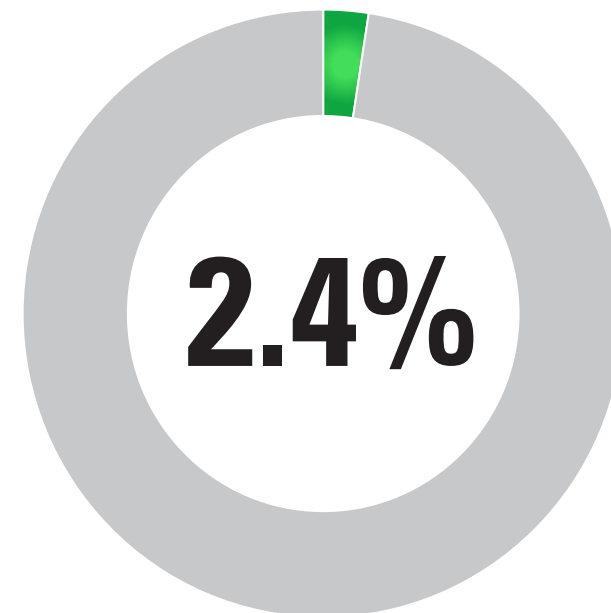
Returns Restocking Fees

Very few retailers have a restocking fee outlined, either for in-store or online merchandise returns. The 2.4% of retailers with restocking fee policies were furniture vendors. Restocking fees have become a rarity for most retailers. However, for large items, like home furnishings, it is understandable.
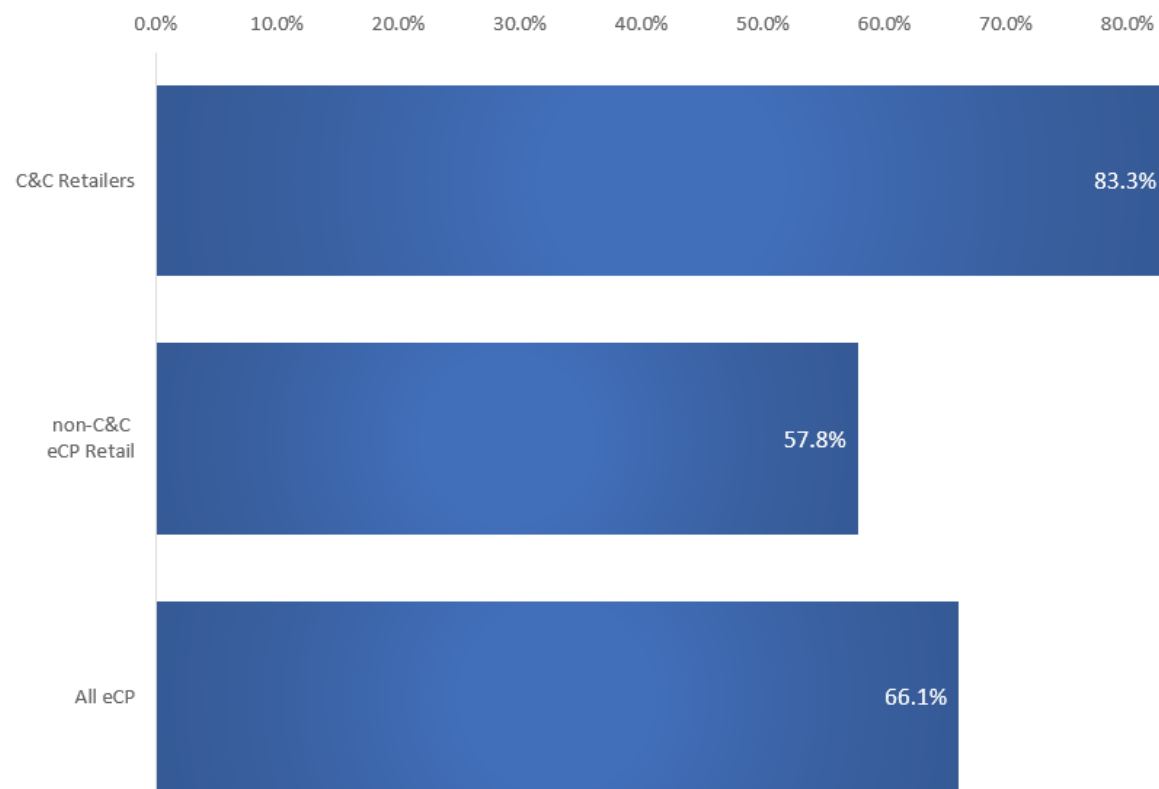
N=330
Source: OrderDynamics, Jun 2017

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 their entire purchasing journey easier (which includes returns). Thus far, this has been a distinct advantage bricks and mortar retailers have had over an Amazon purchase. This may soon change, depending on the success of the Kohl's and Amazon in-store returns agreement. But, it is important NOT to procrastinate. There is no doubt Amazon will work on continuing to close this gap, regardless of the success with Kohl's.

Currently, the vast majority of click and collect retailers do take in-store returns of online purchases, at 83.3%. 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 66.1% of retailers in America offer BORIS.

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

Retail Strategy	Percentage
C&C Retailers	83.3%
non-C&C eCP Retail	57.8%
All eCP	66.1%

N=330
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. American retailers' most popular return days allowance is the 30-69 day range at 36.7%.

Across the US, the next highest category is 60-90 days, with 23.6% of retailers offering merchandise return terms in this range.

Across the US, UK and Canada, Amazon offers 30 day terms, for most products.

Another differentiation possibility for American merchants, is to provide 365 day return terms, either as a promotional offer, or as standard terms. 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 21.8% 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	21.8%
0-29	9.4%
30-59	36.7%
60-90	23.6%
91-365	8.5%
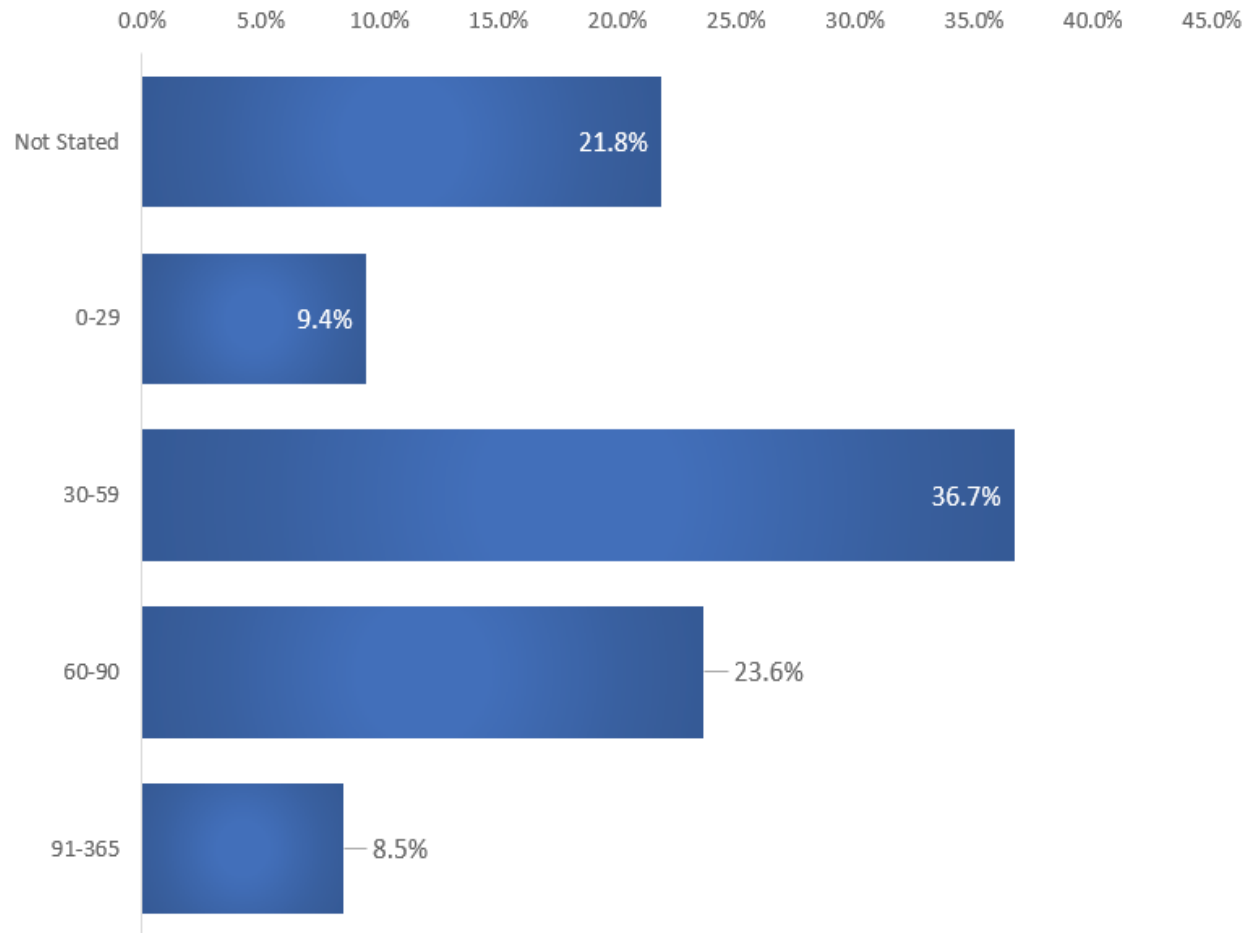
N=330
Source: OrderDynamics, Jun 2017

RETURN ALLOWANCE RANGES

As shown in the previous graph, the 30-59 day returns allowance is the most popular range for merchants. It is not merely for fashion and footwear, either. Most American retail sub-sectors are skewed toward 30-59 day return terms. In light of increasingly aggressive market movements on Amazon and Walmart's parts, retailers may want to test unconventional return allowance ranges. If online shoppers are highly focused on returns before making a decision to purchase, a more shopper-favourable range may tip the balance in your favour. 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, American 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, American retailers can use BORIS as a memorable differentiator.

Retail Sector	Sector Count	Days To Return Merchandise N/A	0-29	30-59	60-90	91-365	BORIS Count	%
Fashion	117	24	11	48	23	11	79	67.5%
Specialty	48	17	5	11	10	5	20	41.7%
Toys|Hobby|Sporting	36	7	0	14	9	6	19	52.8%
Home Furnishing	31	9	6	10	5	1	16	51.6%
Department	26	5	3	4	10	4	20	76.9%
DIY|Auto|Indust.	22	6	1	8	6	1	10	45.5%
Footwear	21	0	1	13	7	0	16	76.2%
Jewellery|Access.	11	1	2	5	3	0	7	63.6%
Health|Cosmetics	11	2	0	4	5	0	5	45.5%
Electronics	7	1	2	4	0	0	3	42.9%
Total	330	72	31	121	78	28	195	59.1%

N=330
Source: OrderDynamics, Jun 2017

order dynamics

61.5 %
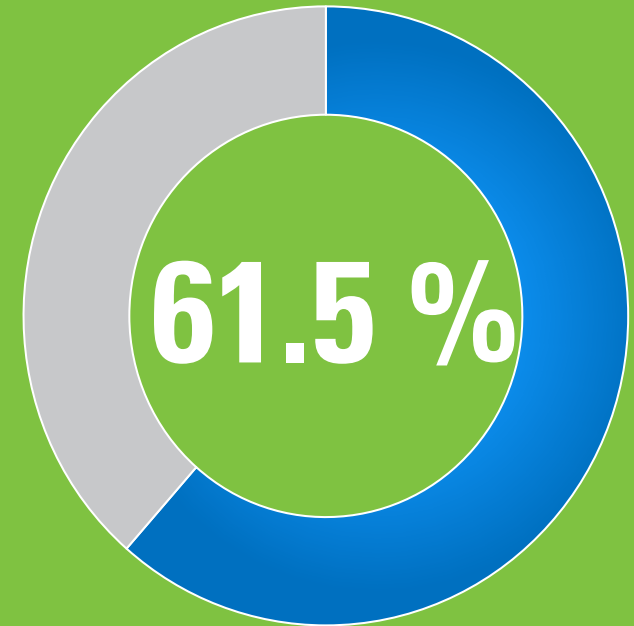
"61.5% of American retailers show click & collect options ONLY at the end of the online purchasing journey."

Omni-Channel in the US

Overall, the American retail market is still new to omni-channel retail. As a strategy, it has been discussed thoroughly, yet only 29.1% of American 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 29.1 % of merchants are reaping the benefits while the rest of the industry catches up.

74.9% percent of American retailers offer free shipping. 21.7% of retailers in the US offer free shipping for basket sizes of $25-$49. Higher free shipping ranges are important to maintain margins. Shipment consolidation capabilities in retailers' order management systems will be particularly important due to the high cost of shipping goods in low density regions.

Aside from the obvious recommendation that more American retailers embrace an omni-channel strategy, several others are notable. Although 38.5% of click and collect merchants advertise it on the first page, 61.5% 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 88.5%. Be it a pickup locker, curbside pickup, or pickup at a postal outlet - there are convenience options that customers may appreciate. Today, only 3.1% 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, 71.3% of retailers commit to an order being available for pickup within 24 hours. Most concerning are the 24.2% 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, 63.5% have basic inventory visibility. It is a good start, but only 7.3% provide detailed information about the exact number of units available at a particular location. On the other hand, 11.5% 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 the US. Most return policies (85.2%) 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, 59.1% allow customers to buy online and return in-store.

There are ample opportunities for American 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 American 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.

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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 the US.

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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