Harvard
Business
Review

Business Models

How "Buy Online, Pick Up In-Store" Gives Retailers an Edge

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May 25, 2021

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Summary.   The pandemic has rapidly accelerated the digital transformation of retail — but as lockdowns come to an end and the economy recovers, many firms are wondering what the future will hold. Customers are unlikely to go back to their old ways of shopping, and yet adapting to online options has posed serious challenges for retailers, many of whom viewed these services as merely stop-gap measures, not long-term solutions. What can retailers do to stay relevant in the post-pandemic world while still retaining the advantages of tried-and-true strategies? In this piece, the authors discuss forthcoming research that suggests that the "Buy Online, Pick Up In-Store" model may be the best option, as it

provides many of the advantages of online shopping without many of the downsides of other types of digital shopping experiences. They go on to suggest that many companies could likely benefit from conducting analyses on their own data, similar to the analysis described in the authors' research, in order to identify the best strategies for their unique contexts and business needs. **close**

For all the talk of digital transformation in recent years, prior to the pandemic, many retailers continued to rely heavily on physical stores. In 2019, less than a third of U.S. retailers had implemented a digital transformation strategy, and just 4% of the 500 largest retailers offered online ordering with curbside pickup.

When the Covid-19 pandemic hit, the American retail landscape transformed overnight. Major brands shuttered storefronts and dove headfirst into a variety of omnichannel experiments, including services like curbside pickup; same-day home delivery; and buy online, pick up in-store (BOPIS). By the end of last summer, the share of retailers offering curbside pickup jumped to 44%. Brands that had long avoided prioritizing ecommerce, such as Costco and TJ Maxx, scrambled to set up online stores. Walmart launched two-hour home delivery in April of 2020, and Walgreens pharmacies implemented a BOPIS option in May.

Now, as lockdowns come to an end and the economy thaws out, many retailers are wondering whether these changes will stick around post-pandemic. Over the past year, 40% of Americans tried a new shopping method, and nearly three-quarters of people who have tried curbside pickup, BOPIS, or delivery want to continue using these services after the pandemic ends — presenting a challenge for businesses that had envisioned the shift to omnichannel retailing as a stopgap measure to be used only until customers could return to stores. Many retailers rely on in-store traffic to drive sales, since getting a customer in the store both reduces the chances they will opt for a competitor and increases the chances they will make spur of the moment purchases.

Furthermore, many companies have found that services like curbside pickup and same-day delivery are expensive to operate. High delivery costs can reduce profitability, and online customers are much more likely than in-person ones to abandon their carts and exhibit lower levels of brand loyalty. So, what can retailers do to meet their customers' rising expectations for flexible, digital shopping experiences while maintaining the profit margins they need to survive?

Answering this question starts with acknowledging that not all omnichannel strategies are created equal. Our forthcoming research, soon to be published in *Management Science*, suggests that BOPIS in particular can help retailers boost in-store sales while still providing the experience that today's (and tomorrow's) customers want. That is because unlike other digital channels, BOPIS both offers the advantages of digital shopping and encourages customers to continue to engage with brick-and-mortar stores.

How Retailers Can Use Big Data to Understand Their Customers

On the whole, retailers have been slow to leverage big data to inform their digital transformations and omnichannel strategies. Many collect transaction data similar to that which we used in our study, but they often view it primarily as a tool for backward-looking accounting or for targeting marketing to customers, rather than for higher-level strategic planning. Without understanding the potential value of big data, companies are often reluctant to invest resources in the staff and technology needed to analyze it — even though in many cases, the data they already have access to represents a treasure trove of insights.

Our study offers a helpful example of the huge potential for big data to add value in retail. The transaction data we analyzed was more than just a record of what was bought

or returned. It offered powerful insights into the shopping behavior of customers, with rich detail about what customers were buying, when, where, and through which channels. Many retailers still rely heavily on surveys to attempt to understand customer perceptions and intentions, but records of actual customer decisions are much more valuable than self-reported data. These records can reveal which omnichannel options customers prefer, where to open new store locations, and which products to promote on various channels in order to maximize revenue.

So, what does it take to leverage big data to optimize your operations? Here are some key guidelines for retailers looking to put their data to work:

- **Create a data-driven culture.** Data should not be the purview of the IT and accounting departments alone. Instead, it should become the way business is done throughout the organization. This requires emphasizing the importance of big data from the top down and investing resources and staff to implement data-driven decision making at every level.

- **Keep your data organized.** Poor data management can be a major hurdle to useful analysis. Do you have multiple record numbers and addresses for the same customer? Different codes for the same product? Missing data? Cleaning up these issues once your database is populated can be a serious headache, so it's critical to set up (and enforce) good data structures and practices from the get-go.

- **Integrate your data sources.** A true omnichannel retail experience means seamlessly connecting online and offline experiences. Retailers must carefully track activity across different channels

and integrate disconnected systems. For example, if a retailer acquires additional customer data from post-purchase surveys, that should be linked on a per-customer basis to existing transaction data, so that the organization can analyze interactions between consumer perceptions and behaviors.

- **Guard your data ferociously.** Hardly a day goes by without news of another data breach revealing consumers' sensitive personal information. Data is a vital asset — but to maintain the trust of their customers, companies must vigorously safeguard the integrity and security of their data.

To better understand the impact of a BOPIS omnichannel strategy, we analyzed 49 million online and in-store transactions from a national retail chain before and after a competitor launched a BOPIS service (this research was all conducted prior to the pandemic). We found that the company's sales dropped by 4.7% online and 1.8% in-store, and the decline in in-store sales was greater the closer a store was to one of the competitor's BOPIS locations. This suggests that by launching BOPIS, the competitor was not only stealing the company's online sales, but also their in-store traffic.

In addition, we also found that in-store sales of more profitable, higher-priced items experienced a greater drop than sales of lower-priced products, suggesting that the competitor's BOPIS program was particularly effective in attracting the high-quality foot traffic of customers purchasing more expensive items. This makes sense, because while customers are generally more uncertain about buying higher-priced items online, BOPIS alleviates some of this uncertainty by enabling free and effortless returns if the customer is dissatisfied with the product at the time of pickup.

These findings are consistent with our earlier research, in which we found that after introducing BOPIS, retailers would experience a drop in online sales and an increase in in-store sales that added up to a net increase in overall sales. But why is this? There are a number of important factors at play.

One of the main advantages of BOPIS is that it enables customers to research products online and then buy them in-store at their convenience, without delivery fees or inflexible pickup times — in fact, a 2019 survey found that 48% of people who used BOPIS did so because of the lack of shipping costs. BOPIS also gives customers visibility into which stores have a given product in stock, helping them avoid wasted trips and thus improving their overall shopping experience.

Moreover, BOPIS isn't just good for customers. Eighty-five percent of consumers who have used BOPIS say that they have made additional unplanned in-store purchases when picking up an order placed online, which is one of the main reasons that traditional, in-store shopping is advantageous to retailers. In addition, because BOPIS is more profitable than other omnichannel services, it gives retailers the opportunity to offer a small discount or other incentives to encourage customers to opt for the BOPIS option, creating a win-win for both the customer and the business.

Ultimately, foot traffic is and will continue to be the lifeblood of retail, and BOPIS can bridge the gap between the convenience of ecommerce and the profitability of in-store shopping. Given its many advantages, retailers should consider focusing their marketing efforts on promoting their BOPIS services, and they should highlight the features that consumers appreciate, such as the lack of delivery fees and the guarantee that products will arrive in their hands safe and sound. In addition, because BOPIS enables customers to examine products before leaving the store, retailers should prioritize ensuring a returns process that is as smooth as possible. One of the greatest downsides of home delivery is its notoriously difficult returns

process, and so offering quick, painless returns and exchanges is one of the best ways to differentiate BOPIS from delivery (and thus keep customers coming back to stores in person).

Digital shopping has been gaining traction for years. Now, after a year of massive investment into omnichannel infrastructure, we have reached a tipping point. Customers are accustomed to online and omnichannel shopping experiences, and they are not going to go back. The good news is, leveraging digital solutions does not have to mean foregoing the advantages (both to the customer and to the retailer) of in-store shopping. Rather than trying to fight against the tide of digital transformation, our research suggests that the BOPIS approach may be the key to helping retailers engage their customers — both online and in stores.

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