

Package Locker Adoption Growing As a BOPIS Fulfillment Option

By **Daniela Forte**, Multichannel Merchant

With ecommerce expanding rapidly and consumers demanding options, convenience and speed, retailers are seeking innovative solutions to help them address these growing expectations. Buy online pickup in store (BOPIS) is now a critical service offered by omnichannel retailers and as consumer adoption of BOPIS grows, retailers are pursuing fulfillment options that provide a more consistent customer experience while improving store efficiency.

In a year-over-year comparison from 2016 to 2018, Ki-bo's Consumer Trends Report highlights that an ever-increasing majority of customers (76%) say multiple fulfillment options influence their willingness to complete a purchase. Because there is no one-size-fits-all solution, retailers must provide the means for customers to get orders when, where and how they want them, which often includes a combination of the following:

- staffed pickup locations
- automated lockers
- scan and go
- curbside pickup
- courier delivery
- ship-to-home

Expansion, and ultimately automation of these fulfillment processes will be key to successfully reach the next generation of tech-savvy shoppers.



BOPIS Fulfillment Solves Issues for Majority of Largest Generation, Gen Z

Poised to outnumber millennials in 2019, Gen Z is coming of age and joining the workforce, bringing significant new buying power that should have retailers taking notice. According to a May 2019 Zogby Analytics research study commissioned by Package Concierge, 60% of Gen Z shoppers state they had visited a mall within the last week while 58% also utilized BOPIS.

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Ship-to-home



Courier delivery



Standard checkout



Self-checkout



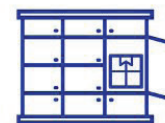
Scan/go



Customer service pickup



Curbside pickup



Automated lockers

This validates what retailers know to be true: Shopping behaviors are evolving, and consumers are expecting options to include both online and in-store experiences.

Some of the issues BOPIS is solving for Gen Z shoppers include ensuring the item is available before arriving at the store and same-day access to their purchases. Yet BOPIS plays an even more important role when it comes to retailer selection. When choosing between similar retailers, 60% of Gen Z shoppers said they will make their choice based on a retailer offering BOPIS over one that doesn't, according to the Zogby study.

Retailers who want to win this demographic will need to automate their BOPIS fulfillment to meet this timely demand. This is especially true as the study also found that one-third of these young shoppers say they want their items within a few hours of ordering, some within an hour.

Penny Lasater, senior product manager for Package Concierge, said automated lockers quantifiably reduce the number of touches and time a store associate devotes to a BOPIS order fulfillment. In some instances, Package Concierge time studies have shown an overall savings of five minutes per order, directly correlating to

labor savings and efficiency improvement.

Steve Osburn, managing director of Kurt Salmon, part of Accenture Strategy, said automated lockers allow retailers to better space out the order fulfillment work and eliminates reliance on order pickup stations.



Retailers Already Using Pickup Lockers

Nike has added pickup lockers in its New York flagship store, allowing members to reserve items ahead of time and pick them up. Dick's Sporting Goods, meanwhile, launched a self-service pickup locker pilot in 2018, letting shoppers retrieve ecommerce orders in as little as an hour.

Macy's started testing pickup lockers in select stores in 2018. It was part of an effort to improve the BOPIS experience by shortening wait times, while reducing staffing and providing a secure place for ecommerce order pickup.

Express launched a locker pilot in several stores, with same-store BOPIS experience satisfaction rates 13% higher than a prior period. Ninety-two percent of customers who used it said they'd do it again.

Twenty-five percent of Express customers using lockers made another purchase. Weekly BOPIS order volume was up 21% at pilot stores, while average order value rose 1.3%, resulting in a 19% increase in weekly BOPIS revenue.



Walmart has pickup towers in over 700 of its U.S. stores, after an expansion of the program in 2018. More than half of Walmart's BOPIS orders were retrieved through towers in stores that had them.

Home Depot began installing lockers in store entrances in 2018, after a pilot in 2016. The company plans to expand locker deployment in its stores over the next 18 – 24 months. Lana Johnston, a spokesperson for Home Depot, told USA Today that 45% of Home Depot's online orders are picked up in stores, adding that lockers simplify the process and add convenience.

Tractor Supply is also piloting various sized pickup lockers both inside and outside of its stores, along with options for curbside pickup of ecommerce orders.

Beating Amazon at its Own Locker Game

Amazon launched lockers in 2011 and introduced Hub by Amazon in apartment buildings in 2018. Secure keypad-access lockers in high rise and garden apartments let shoppers retrieve packages at their convenience. Amazon said 500,000 people were using Hub pickup lockers in 2018, with thousands more added each month.

Amazon also has secure pickup lockers where packages are placed in a touchscreen lockbox using a passcode. Most are located at public transportation stations, convenience stores, grocery stores – including of

course Whole Foods – and retail outlets like Stein Mart.

So how can retailers do battle on this front against Amazon, the king of convenience? Osburn said lockers in tandem with BOPIS lets retailers leverage store inventory to speed fulfillment and provide customer options.

Lasater said self-serve automated BOPIS lockers allow retail customers to get their orders even faster than delivery from Amazon. "Even though Amazon has announced next-day delivery, many retailers have a same-day BOPIS fulfillment promise, and some fulfill orders in as little as two hours," she said.

Lockers Popular in Europe, Asia

Automated package lockers have seen greater adoption in other countries, having solved space and retail delivery issues for several years. According to a joint last-mile study in 2018 conducted by DHL and Euromonitor International, package lockers are primarily being used in Poland. The study found that lockers placed in 24-hour locations such as gas stations and mini marts provided more flexibility than those inside retail stores. Similarly, several ecommerce and logistics companies are also developing the concept of central drop off and pickup.

In Germany, shoppers can opt to have their ecommerce orders sent to one of 3,700 DHL Packstation lockers at checkout, with 1,000 more being added. More than 12 million customers of all ages have used them since they were introduced in 2003 at places like train stations, grocery stores and public parking lots.

"The Packstation can facilitate the work of our package delivery staff as it can be successfully delivered with the first attempt," said Sarah Preuss, a spokesperson for DHL. "With constantly growing package volume, however, it is not a question of labor allocation."

Delivery and logistics providers began testing lockers in 2018, as ecommerce grew and labor availability dropped, according to Japan Times. One joint program was funded by Japan's top courier, Yamato Transport Co., and France-based Neopost, with 2,000 lockers set up at train stations, supermarkets and pharmacies. Yamato rival Sagawa Express Co. also uses them. Customers must be registered members of one of the participating carriers.

The DHL/Euromonitor study also examined intelligent lockers that can handle returns using product codes.



Citibox in Spain, for example, features a small mailbox for apartment buildings that allows for drop offs and pickups that can be arranged by smartphone.

Osburn said many retailers in Europe don't provide free shipping, instead offering BOPIS to avoid charges that lead to abandonment at checkout. This is why lockers are more prominent there, he said.

Broader Domestic Adoption Going Forward

The U.S. appears to be nearing a tipping point for explosive growth in automated locker acceptance and usage. Osburn said the use of lockers will increase along with the growth of BOPIS, which grew by 50% in 2018, according to the Kurt Salmon Omnichannel Study.

"With lockers being utilized in more places, such as multifamily residential, university campuses, corporate offices and retail environments, they become a ubiquitous solution that people come to expect for a seamless experience," said Lasater.

According to Package Concierge's 2019 Ecommerce Operations Summit presentation, automated lockers will continue to be one of several fulfillment options in urban and retail settings. They will be used as an open-access shipping point, as a revenue-generating business model, an option for temporary/event fulfillment locations, and expansion into other markets such as long-term stay hotels and healthcare facilities.

Q: What is the most common reason(s) you buy online and pick up in store (BOPIS)? (Select all that apply)



Package Concierge proprietary research conducted with adults aged 18-25 on 5/29/19

Other Benefits of Pickup Lockers

Lasater said intelligent lockers offer multiple advantages vs. other store-based fulfillment options. "Retailers want to improve customer satisfaction but also have to make a wise investment, so locker ROI is incredibly important," she said.

Lockers are starting to be used in stores for use cases other than BOPIS order pickup, increasing their value. "They started as a BOPIS fulfillment option, but the more things lockers can do at the store and problems they can solve, the better the ROI is for the retailer," Lasater said. As an example, lockers can also be used as check-in points for picking up bigger items that won't fit in a locker or managing store-to-store inventory transfers. Some retailers are also using lockers for courier pickups.

Retailers that have implemented BOPIS often have difficulty handling the growing volume, which is where automated lockers come in. Some retailers are even opting to skip the initial step of in-person service desk BOPIS fulfillment and going right to an automated locker strategy.

Lockers have been proven to drive improved customer satisfaction, Lasater said, with Package Concierge retail lockers achieving a Net Promoter Score (NPS) of 88 YTD for its transactions. The same ongoing customer satisfaction survey showed lockers scored a 10 out of 10 for the overall user experience.

Trial Programs Provide Test and Learn Opportunity

For BOPIS to be successful, retailers must have a clearly stated fulfillment promise they can deliver on, making the process convenient and quick. Automated pickup lockers provide simple and secure fulfillment, ensuring a positive BOPIS experience for consumers and the retail store.

Based on Package Concierge's analysis, there are currently 11 national retailers with an active automated locker pilot, and at least as many more planning a test program.

Lasater said when speed to execute is important, a non-integrated pilot, which can often be deployed in as little as four to six weeks, may be the answer.

In order to get intelligent lockers in place and select the right provider, it's important to identify current BOPIS pain points, gain alignment on the top two cross-departmental goals for the locker program and brainstorm alternate use cases for the lockers. Retailers will also want to identify installation location, assess resources available to execute a pilot and determine their KPI metrics. Data analysis of current BOPIS orders should include a review of order dimensions and order volume to determine the optimal size locker system needed for the trial program.

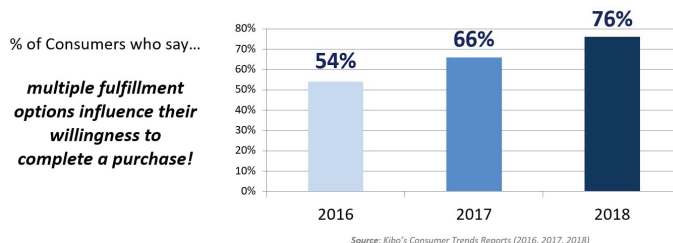
Keep an Eye on Future Growth While Planning Current Installation

System installation planning will ensure that automated lockers are visible and easy to access. Utilizing both indoor and outdoor lockers allow for greater location flexibility. According to Package Concierge, 83% of customers prefer 24/7 locker access, which also increases utilization.

Outdoor lockers are the ultimate convenience, with customers not bound by fixed store hours. "In terms of location, any place that is a high traffic area is great for lockers because it's all about easy access for the consumer," Lasater said.

It is also important to not limit the potential use of automated lockers based on merchandise mix. When selecting a locker system, retailers need to consider compartment size flexibility. Depending on what types of products are being sold, oversize locker compartments are often necessary to accommodate a wide range of shapes and sizes.

Flexible compartment sizes also help a retailer future-proof their locker system investment. In order to man-



age seasonal trends and shifts in order sizes processed, retailers should seek out automated locker systems that can accommodate their changing needs.

"The retail market is dynamic and evolving, so the locker system you purchase today should be able to evolve as the retailers' needs change," Lasater said. "Offering the flexibility to change locker size and count post-installation gives retailers piece of mind."

Automating BOPIS Fulfillment Key to Future Success

Package Concierge predicts strong growth for automated lockers in both multifamily housing and retail. Between Thanksgiving and Christmas 2018 for instance, UPS alone delivered 800 million packages, up 5% from 2017, and BOPIS adoption rates rose by nearly double digits during the same timeframe.

Omnichannel retailers looking to provide a more consistent customer experience while improving store efficiency would do well to consider adding lockers as part of their BOPIS fulfillment strategy. Automating the process not only improves store efficiency but increases customer satisfaction. By starting a trial program now, retailers will be poised to take advantage of busy shopping seasons while positioning their BOPIS programs for future success.

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