

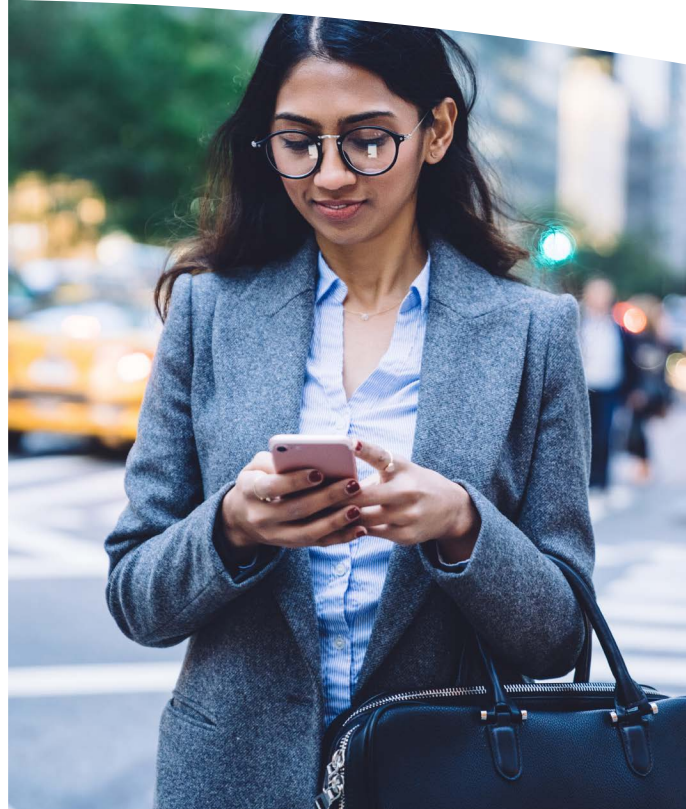
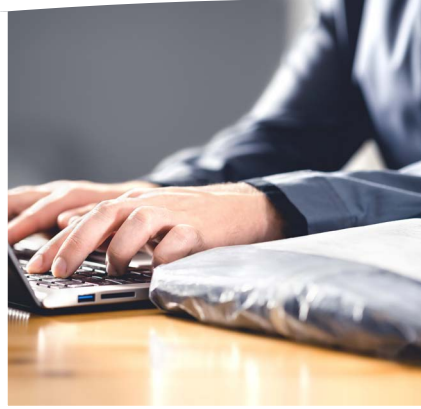
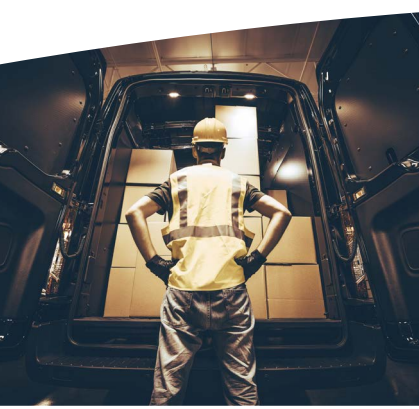
DIGITAL RESEARCH

COMMERCE 360

2020 EDITION

THE FULFILLMENT REPORT

Data and in-depth analysis of ecommerce fulfillment trends



Compliments of: Kibo Commerce

CONTENTS

OVERVIEW

LEADERS

Amazon changes the game

COVID-19

More orders, more packages
Adapting warehouse operations
Top 500 retailers adjust

HOW AND WHY RETAILERS LAUNCHED CURBSIDE

AMAZON

Amazon spends more on
shipping packages
Amazon's growing warehouse
and delivery center network



THE SHOPPER SPEAKS

Shipping challenges and
opportunities amid a pandemic

OUTSOURCING FULFILLMENT

CONCLUSION

ABOUT

The author
Digital Commerce 360 Research

SPONSORED CONTENT

Kibo Commerce



CONTENTS

CHARTS

LEADERS

How Amazon Prime membership influences shipping exceptions

Shipping speed by Top 1000 merchant type

Consumers rank their preferences for free shipping options

Shoppers' percentage of non-Amazon online purchases that ship for free

Top 1000 free shipping breakdown by merchant type

Median free shipping threshold for Top 1000 merchants by merchant type

AMAZON

Number of 2019 US deliveries in billions by shipping carrier

Amazon spending on shipping, 2016-18 actual and 2019-2025 forecast

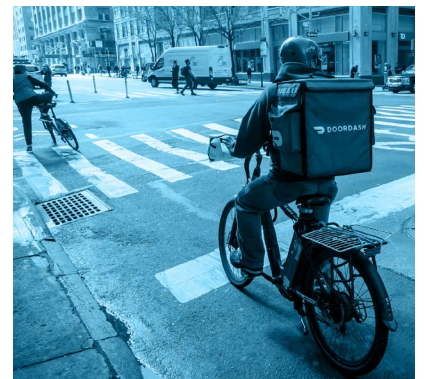
Costs and share of Amazon's operating expenses

THE SHOPPER SPEAKS

Consumers' fulfillment choices during COVID-19

Consumers' shipping experiences during COVID-19

Consumers' curbside experiences during COVID-19



OVERVIEW

2020 has turned fulfillment on its head.

Retailers are dealing with unparalleled challenges in their fulfillment operations during the coronavirus pandemic. Many merchants faced a surge in online sales as a result of nationwide store closures, along with a decrease in efficiency because of increased safety measures. For example, warehouses are short-staffed with fewer workers picking and packing orders because of social distancing measures. These circumstances have placed a strain on retailers and carriers alike, causing delays with getting packages to shoppers' doorsteps.

Consider these staggering changes:

- ▶ Online sales increased 44.4% year over year in Q2 2020, according to the U.S. Commerce Department.
- ▶ Shipping carriers FedEx and UPS reported package volume climbed about 20% year over year in Q2 2020, with USPS posting a 50% increase.
- ▶ On-time deliveries steadily decreased since March 2020, according to several logistic vendors.

But retailers are working hard to respond to the chaos. Many quickly evaluated their fulfillment options and adjusted as necessary, such as launching curbside pickup and shipping orders from stores. Within Digital Commerce 360's Top 500, the number of retailers offering curbside pickup increased more than 500% as

5x

Increase in Top 500 retailers offering curbside pickup, from late 2019 to August 2020



OVERVIEW

THE FULFILLMENT REPORT • 2020 EDITION

of August 2020, compared with the end of 2019. Retailers are also looking at alternative ways to fulfill online orders beyond the usual shipping carriers, and in some instances, turning to on-demand services like Postmates and DoorDash.

While the pandemic accelerated ecommerce adoption, it has not changed shopper expectations. Shoppers still want their products to ship fast and for free. Amazon.com, with its logistic prowess, plays a major role in engraining these expectations in U.S. online shoppers.

For years, retailers have done their best to keep up. They have revised their own shipping policies to offer free shipping, and switched to order management systems that determine the optimal place to fulfill an order, such as from a warehouse or store closest to the end shopper. Beyond fast and free, some retailers prioritize other fulfillment considerations—such as environmentally friendly packaging—as a way to provide a superior shipping experience. 🚚



LEADERS

Mass merchants Amazon.com Inc., Walmart Inc. and Target Corp. are among the top merchants when it comes to providing superior online shopping experiences. Fulfillment is no different.

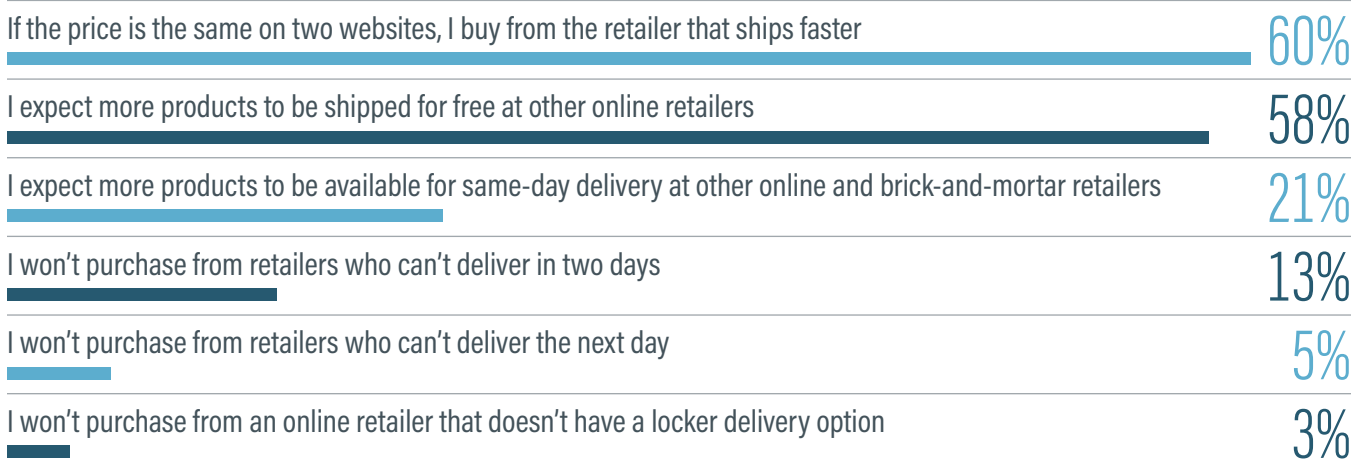
These three mass merchants each offer compelling shipping and fulfillment programs—such as Amazon’s highly popular Prime membership program that offers free two-day-or-faster delivery, Target’s robust curbside service, and Walmart’s network of personal shoppers and on-demand delivery workers. Other top merchants are working to keep up.

For years, Amazon has made itself a logistics king. The web behemoth operates 576 fulfillment facilities in the U.S. covering 187 million square feet, according to July 2020 data from logistics

CONSUMER SURVEY

AMAZON PRIME TRAINS SHOPPERS TO WANT FAST SHIPPING FROM EVERY MERCHANT

How has being an Amazon Prime member influenced your perception and expectations surrounding online order deliveries? (Multiple responses allowed)



Source: Digital Commerce 360/Bizrate Insights survey of 989 online shoppers, March 2020



Amazon plans to have 100,000 electric-powered delivery vans from Rivian in operation by 2030.

consulting firm MWPVL. In fact, Amazon delivered 2.30 billion packages in the U.S. in 2019, which represents 12.8% of total deliveries in the U.S., and 22.0% of U.S. online deliveries, according to Bank of America Global Research.

This vast network has enabled Amazon to guarantee two-day delivery on Amazon Prime orders, with millions of items available for next- or same-day delivery. One in four consumers said they purchased on Amazon for same-day delivery, according to a Bizrate Insights and Digital Commerce 360 survey of 989 consumers in March 2020.

According to estimates from Consumer Intelligence Research Partners, Amazon has more than 118 million members in its U.S. Prime membership program as of March 2020. That means a massive amount of U.S. online shoppers have come to expect this level of shipping speed for all of their online orders.

In fact, 60% of consumers said that as a result of being an Amazon Prime member, if the price for a product is the same on two websites, they will purchase from the retailer that ships faster, according to the Digital Commerce 360 survey. A further 58% of shoppers said they expect more products to be shipped for free at other, non-Amazon online retailers for the same reason. 🚚

AMAZON CHANGES THE GAME

Merchants, regardless if they are direct competitors with Amazon, recognized that Amazon has changed the game when it comes to fulfillment for online retailers.

“Amazon is a competitor for everyone because of their logistics,” says Meera Bhatia, president of expert services at TechStyle, parent of athleisure merchant Fabletics. “I’m sure someone has a desire to get leggings and shipping in just two days. That’s compelling. That’s why we always make sure our logistics are meeting customers demand on that front.”

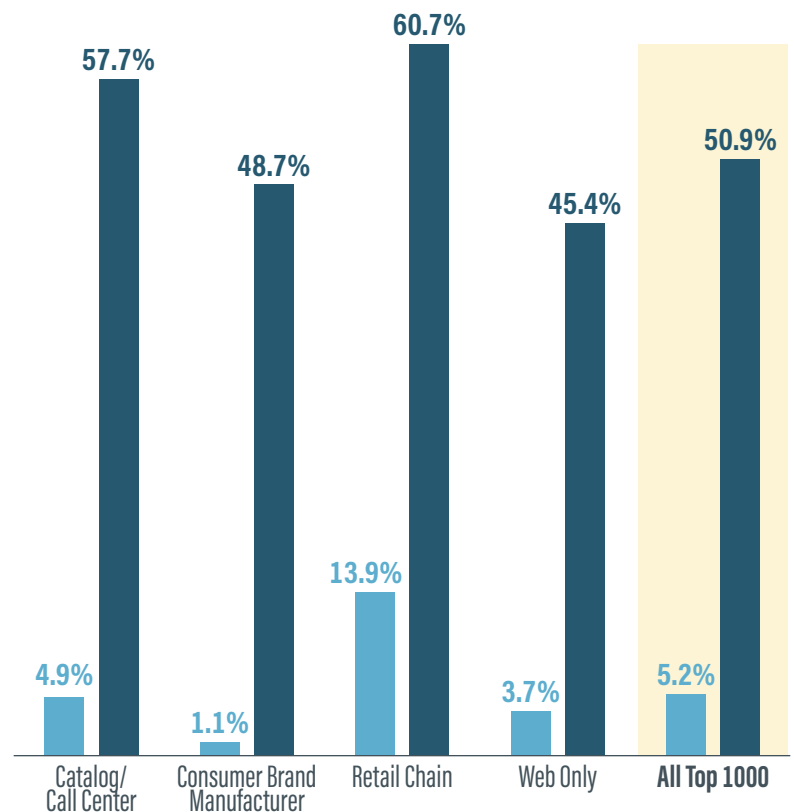
Two-day, same-day and next-day delivery are no easy feats for retailers to achieve, as they require products being physically located near the end customer. Retailers would need to have, or have access to, a network of warehouses or stores. What’s more, some retailers with such speedy shipping capabilities may not be willing to eat the expedited shipping expense and may pass those costs on to the customer.

Within the Top 1000, 50.9% of retailers offer paid or free next-day shipping, and 5.2% offer same-day shipping. Retail chains, likely using their network of stores that are closer to shoppers than their warehouses, are the mostly

RETAIL CHAINS MOST LIKELY TO OFFER NEXT-DAY SHIPPING

Shipping speed by merchant type

■ Same-day shipping ■ Next-day shipping



Source: Digital Commerce 360

CONSUMER SURVEY

SHOPPERS PREFER UNCONDITIONAL FREE SHIPPING

Rank your preference of the following free shipping options when it comes to buying from online retailers.

Top two choices of consumers ranked most important to somewhat important

Unconditional free shipping	63%
Free shipping on thousands of items	37%
Conditional free shipping tied to a dollar threshold (must spend a specific amount)	30%
Part of the retailer's paid membership program (e.g. Amazon Prime)	27%
A benefit of belonging to the retailer's rewards program	23%
A benefit of using the retailer's credit card	21%

Source: Digital Commerce 360/Bizrate Insights survey of 989 online shoppers, March 2020

likely to offer same-day and next-day shipping than any other merchant type.

However, the good news for retailers is that there is a segment of shoppers who will pay for shipping if they need the product fast enough. Some shoppers will abandon the order if a retailer doesn't offer an expedited shipping option—even if they have to pay for it, according to the Digital Commerce 360 survey. 33% of consumers paid for shipping online because they needed the product faster than the free-shipping timing offered, 17% of consumers paid for expedited shipping and 15% said they paid for same-day delivery, according to the survey. Plus, 11% abandoned an order because the product would not arrive quickly enough. Merchants should note that Digital Commerce 360 fielded this survey before the coronavirus pandemic took hold, illustrating that even in normal times shoppers were willing to pay for faster shipping.

While consumers do pay an annual fee for Amazon Prime membership, many industry experts say consumers oftentimes view the shipping as “free,” as they already paid a flat annual fee for unlimited Prime packages. Prime also comes with a suite of

LEADERS • AMAZON CHANGES THE GAME

THE FULFILLMENT REPORT • 2020 EDITION

other services, such as streaming movies, TV shows, music, photo storage, discounts and free delivery from grocery store Whole Foods, among other perks.

Despite the popularity of Prime memberships in the U.S., joining a paid membership is not a consumer's top choice to receive shipping with no delivery fee. In fact, it's behind receiving unconditional free shipping, free shipping on a subset of items and free shipping tied to a dollar threshold.

Within the Top 1000, merchants offer a variety of perks that may or may not include free shipping: 6.0% of retailers offer a paid membership program, 24.1% offer a free loyalty program and 12.3% a co-branded credit card.

Regardless of how consumers achieve free shipping, they use it. 83% of consumers said that they purchased a product online in the last six months and received free shipping, according to the Digital Commerce 360 survey. What's more, 46% of consumers said that 75-100% of all of their non-Amazon online orders shipped for free.

Merchants have noticed and responded to consumers' appetite for free shipping. Within the Digital Commerce 360 Top 1000, a whopping 71.0% of merchants offered free shipping in some capacity in 2019. That's up from 65.4% in 2018 and 66.8% in 2017, according to Digital Commerce 360.

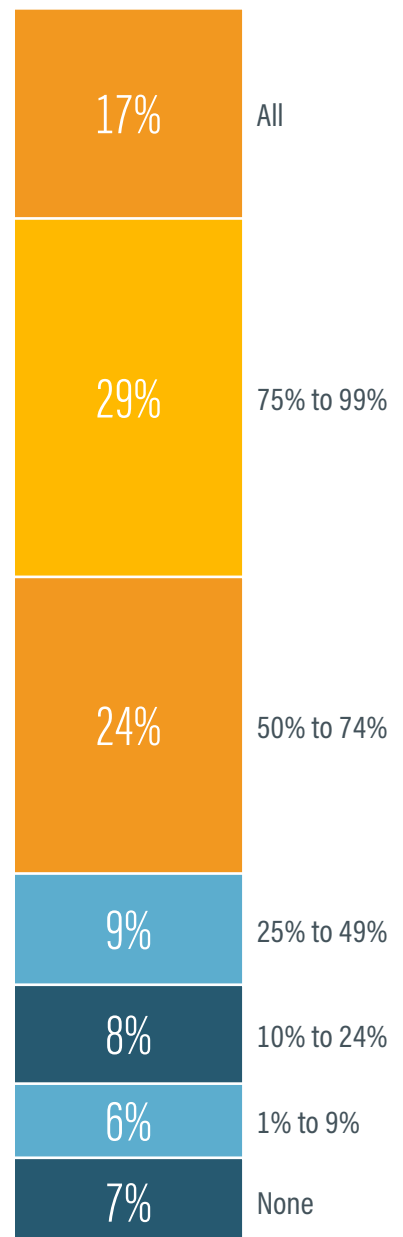
Put another way, in 2019, 87.6% of online sales to Top 1000 retailers stemmed from merchants that offered free shipping on at least some orders. Even when factoring out Amazon's sales, 81.3% of Top 1000 sales were made from merchants that offered free shipping.

However, free shipping offers vary by merchant type and category, with consumer brand manufacturers the most likely

CONSUMER SURVEY

THE MAJORITY OF SHOPPERS' ONLINE PURCHASES SHIP FOR FREE

What portion of your online orders over the past six months (roughly October 2019-March 2020) have included free shipping, outside of those placed on Amazon.com?



Source: Digital Commerce 360/Bizrate Insights survey of 989 online shoppers, March 2020

to offer the perk at 78.2% of those merchants in the Top 1000. Catalog/call center merchants are the least likely, at 52.8%. A brand manufacturer selling direct-to-consumers online doesn't have to purchase its goods wholesale and therefore has more margin to work with than other merchant types and may be more willing to offer free shipping to shoppers.

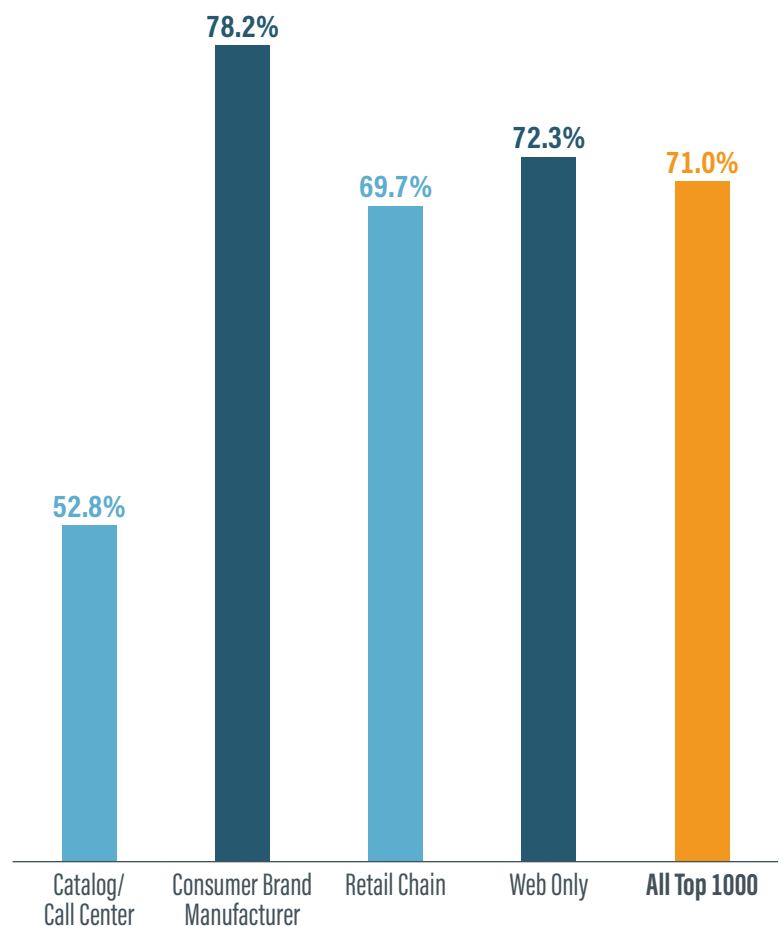
As many consumer brand manufacturers have determined that free shipping can be part of their profitability mix, all merchants need to evaluate how their shipping offers play into their overall pricing strategy, says Hilding Anderson, head of retail strategy, North America, at digital consultancy Publicis Sapient.

“Competition in the digital arena is fierce, and free shipping is part of retailers’ overall value proposition,” he says. “Most retailers want to be perceived as price competitive for their target audience, and shipping is part of the mix and critical for managing profitability while still growing. We’ve seen in Q2 that Target and Walmart, among others, have been able to successfully manage the dual dragons of growth and profitability.”

By merchant category, apparel retailers are the most likely to offer free shipping at 78.8% of Top 1000 retailers in the category offering the perk. VF Corp.’s The North Face, is one of those merchants, offering unconditional free shipping.

71% OF TOP 1000 RETAILERS OFFER FREE SHIPPING

Portion of Top 1000 merchants offering free shipping by merchant type



Source: Digital Commerce 360

LEADERS • AMAZON CHANGES THE GAME

THE FULFILLMENT REPORT • 2020 EDITION

“We know that apparel, and specifically outdoor apparel, is a product class that requires time to touch, feel and try on,” says Sarah Kleinman, vice president, digital commerce and experience at North Face. “We want our customers to get the at-home trial experience they need, without any financial penalty.”

Of course, most of these merchants don’t just offer unconditional free shipping. Like Amazon, which has a paid membership program, merchants may require shoppers to be a part of a program or hit a certain dollar threshold in order to qualify for free shipping.

Of the 71.0% of retailers in the Top 1000 that offer free shipping in some capacity, 44.7% offer free shipping with a minimum purchase. The median dollar amount that shoppers must purchase to receive free shipping is \$50 for those retailers with a minimum dollar threshold requirement. 🚚

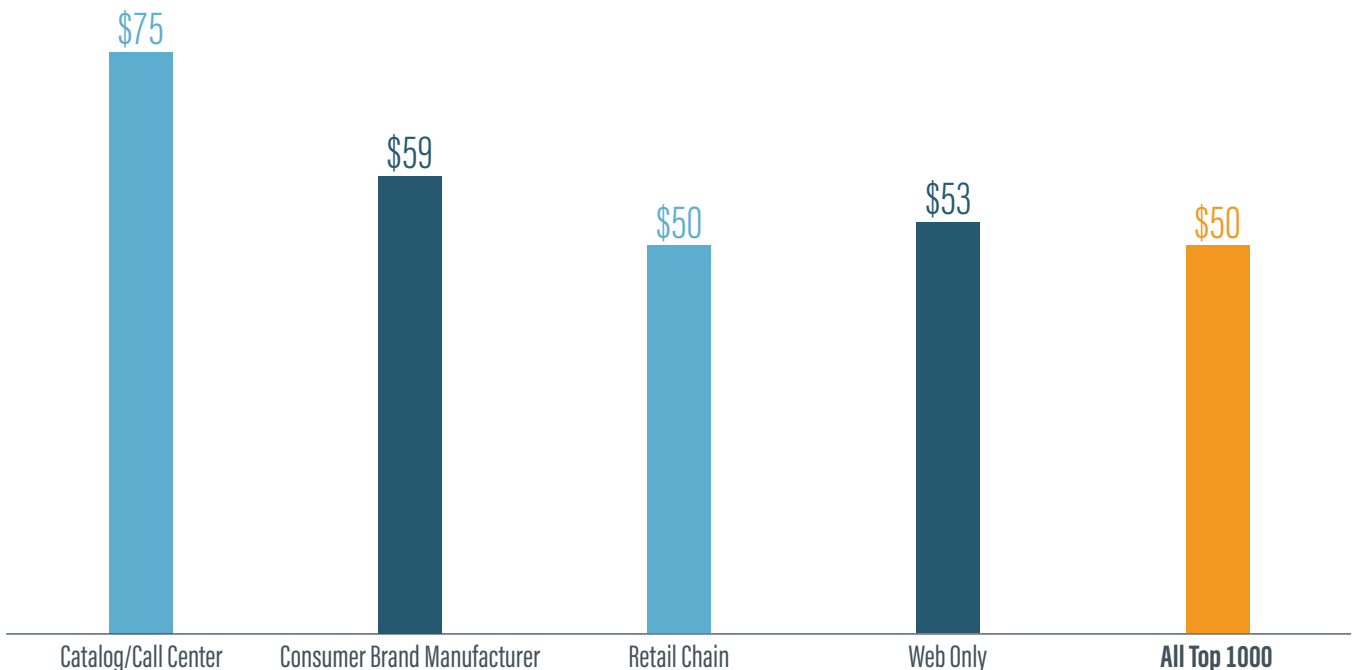


‘We want our customers to get the at-home trial experience they need, without any financial penalty.’

—Sarah Kleinman, vice president, digital commerce and experience, The North Face

FOR THE 45% OF TOP 1000 RETAILERS THAT OFFER FREE SHIPPING WITH A THRESHOLD, THE MEDIAN IS \$50

Median free shipping threshold for Top 1000 merchants



Source: Digital Commerce 360

COVID-19

MORE ORDERS, MORE PACKAGES

Shipping carriers FedEx, UPS and USPS have all reported increases in package volume. For example, UPS reported in their Q2 2020 earnings report that average daily package volume is up 22.8% year over year, reaching 21.1 million packages per day. Plus, residential delivery surged, with business-to-consumer shipments growing 65.2% year over year. Similarly, in FedEx's fiscal fourth quarter 2020 ended May 31, home deliveries accounted for 72% of the division's sales by volume, compared with 56% in the same period a year earlier. And in USPS's most recent quarter ended in June, package volume is up 50% year over year.

Shipping carriers are straining to keep up with the increase in volume of ecommerce packages. Both UPS and FedEx have applied surcharges for its large retailer customers, similar to what it does during peak seasons.

"We are in the same boat as everyone else, so yes there is a surcharge, and we take care of it. There is no other choice that we have," says Varadheesh Chennakrishnan, chief information officer at fabric and crafts retailer Joann. The retailer is absorbing the surcharge, he says, and not passing it on to consumers.

"That is why we promote buy online pickup in store and curbside, so we can take some of that strain off of that," he adds.

Consumers flocked online to stock up on essentials when stores shut down at the onset of the pandemic. Many municipalities had



'Yes there is a [carrier shipping] surcharge, and we take care of it. That is why we promote buy online pick up in store and curbside, so we can take some of that strain off of that.'

—Varadheesh Chennakrishnan,
chief information officer, Joann

stay-at-home orders, and consumers, wary of venturing outside the home, wanted to be well-stocked. For example, at adult diapers retailer NorthShore Care Supply, sales skyrocketed 250% year over year in the four days following President Trump announcing the state of emergency, with shoppers buying six months' to a year's worth of supplies at a time, says the retailer's owner Adam Greenberg. A normal adult diaper and wipes supply purchase is about one month's worth, he says. In March 2020, sales were up 50% year over year and in April, they were up 20%.

As retailers have adjusted their operations for fulfilling orders, many have turned to their stores to move inventory and fulfill online orders. However, with the influx of retailers taking this approach, shipping carriers put limits on the number of packages they will pickup from each store to deliver to customers, adding to retailers' fulfillment complexities. Shipping carriers hit larger retailer chains, such as Joann Fabrics, with this cap, as many smaller retail chains told Digital Commerce 360 that they do not have any constraints on the number of packages they can ship from their stores.

That led Joann to update its order management system to track how close each store is to reaching its daily shipment limit. When a shopper places an order on Joann.com, the system—in addition to determining which store or distribution center that has the product closest to the customer—also takes into account how close each store is to its shipping limit. For example, if a customer buys a wreath and two stores equidistant to the customer have it in stock the system will automatically select the store that is further from the limit. 🚚

ADAPTING WAREHOUSE OPERATIONS

Like many retailers, NorthShore Care implemented new social distancing practices in its warehouse to help prevent the spread of the coronavirus. Employees must remain 6 feet apart unless it's absolutely not possible, and then they have to stay 3 feet apart, Greenberg says. Just following these safety guidelines limits its efficiency, such as how quickly workers can load cartons onto trailers, he says. Additionally, in March, many employees with school-aged children needed to take time off to care for them as schools shut down. Greenberg estimated that its warehouse fulfillment staff was reduced by about 20% in March.



Adam Greenberg, owner, NorthShore Care Supply

As the coronavirus pandemic continues, NorthShore Care has further adapted its fulfillment operations. It proceeded with its previous plans to move into a new 170,000 square-foot fulfillment center in March, double the size of its previous center. The new building is more efficient at getting orders out the door and features more automation, such as autonomous mobile robots, a voice-picking system and new conveyers optimized for its large and bulky products, Greenberg says.

“[The new conveyers and robots] were designed to help us be efficient, cost-effective and keep prices down, but absolutely it’s a benefit right now during the pandemic,” he says.

In addition, the retailer has taken further steps to reduce employees’ contact with surfaces as much as possible. For example,

the heavy doors workers use to enter and exit the facility now open automatically. NorthShore Care also placed hand-sanitizing stations throughout the warehouse and posted signs reminding employees to practice social distancing, wear face masks and frequently wash their hands.

Other retailers, including online wine merchant Wine.com and coffee retailer Black Rifle Coffee Co., have made adjustments to their fulfillment centers to keep employees safe during the pandemic. For example, Wine.com added shifts at its warehouse so that fewer employees work at a time, making it easier for them to stay apart. Similarly, Black Rifle, which typically has two shifts, has now spread those shifts out so that they no longer intersect. That enables the retailer to fully sanitize the facility between shifts and minimize contact with others, says Chris Omer, vice president of information technology. 🚚

TOP 500 RETAILERS ADJUST

Retailers in the Digital Commerce 360 Top 500 have adjusted their fulfillment services throughout the pandemic.

The most widespread fulfillment option that retailers added during the pandemic was curbside pickup, which allows retailers to move their store inventory and provide shoppers with a contactless way to pick up orders.

Retailers launched curbside pickup en masse, with 102 Top 500 retailers launching this service as of August 2020 for a total of 121 retailers, compared with only 19 retailers offering curbside pickup at the end of 2019, a 536.8% increase. Plus, only retailers with stores can offer curbside pickup. So when looking at retailers with stores in the Top 500, 43.7% of them now offer curbside pickup, up from just 6.9% of Top 500 retailers with stores offering curbside pickup before the pandemic.

Retailers also rushed to launch buy online pickup in store, with 13.9% more Top 500 retailers with stores adding BOPIS as of August 2020 compared with the end of 2019. Additionally, 21.3% more Top



102

The number of Top 500 retailers that added curbside pickup between January and August 2020.

500 retailers with stores are now offering store returns for online purchases, now available at 69.8% of Top 500 retailers with stores.

However, when looking at all Top 500 retailers, fewer are offering free shipping (a 12.5% decrease as of August 2020 compared with 2019), and fewer are offering free return shipping (a 30.3% decrease).

Retailers may be evaluating their overall pricing strategy as it relates to their profitability, which is likely changing with the pandemic, and adjusting their shipping policies. When stores were open, retailers may have counted on a large share of customers opting to pick up and return online orders to stores. Therefore, retailers could afford to offer free shipping and free return shipping, as not all online shoppers used it. However, with many stores closed, retailers may have updated their policies if more customers were choosing to use the services, and retailers could no longer afford to offer free shipping and free return shipping on such a large share of online orders.

How retailers delivered products to shoppers has rapidly changed in just a few short months. Retailers are scrambling to source, pick, pack and deliver orders to shoppers on time. Retailers are continually evaluating how the pandemic has impacted their fulfillment operations and adjusting where necessary. 🚚



An executive conversation with **Ram Venkataraman**, chief product and technology officer, Kibo Commerce

ORDER MANAGEMENT SYSTEMS HELP RETAILERS DELIVER ON CUSTOMER EXPERIENCE

Over the years, small and mid-sized retailers have made great strides competing against ecommerce behemoths by implementing strategies that have allowed them to offer the same customer experience and fast delivery as the Amazons and Walmarts of the world. But weathering COVID-19—when many shoppers still expect the same customer experience they received before the pandemic—has presented unique challenges, particularly around fulfillment and delivery. To discuss how retailers that make order management solutions a strategic focus of their success will thrive during the pandemic, Digital Commerce 360 spoke with Ram Venkataraman, chief product and technology officer at Kibo Commerce.

Describe the current state of fulfillment and delivery.

Obviously, since COVID, many retailers are having trouble fulfilling from warehouses and competing against the ecommerce giants. The last mile is a big issue for them, as is free and fast delivery. Two-day and next-day delivery is more difficult than ever.

Curbside pickup has helped a lot of retailers leverage their store inventories to get products to customers quickly, but the curbside experience is far from perfect. Many retailers have implemented duct-tape solutions to deploy curbside options quickly. And while some retailers have done well, many are struggling. Communication between the customer and the store has been a huge challenge.

What are some common fulfillment and delivery mistakes retailers make?

A lot of retailers have been slow to implement the different fulfillment approaches: buy online pickup in store (BOPIS), store-to-store transfer, ship to home from warehouse, ship

to store from warehouse. And when they do, they often implement one. But they really must think about it holistically. Additionally, many retailers aren't looking at their whole inventory across their entire network—which is central to effective fulfillment and delivery.

How can they address these challenges both in the short term and long term?

First, they need real-time visibility of inventory across their entire fulfillment network. Once retailers have that, they can send orders to the right location for fulfillment. Secondly, retailers should leverage their stores to fulfill orders, so they don't have to push all the orders to the warehouse. Now, because there's less foot traffic in stores, it's more important than ever to optimize that store inventory. Third, they should group together their stores in a region and use them as a regional warehouse. Say they have five stores in one region, retailers can use those stores to fulfill orders for that entire area. They should also be rate shopping for delivery. Find the best service provider in your area that can deliver quickly and on-time most cost-effectively. And finally, they need effective curbside solutions. Curbside is here to stay. Duct tape solutions will no longer cut it. Having a sophisticated curbside solution is critical.

What is the fastest and most effective way they can implement these strategies?

Retailers need an order management system (OMS) that is modern, flexible and business-user friendly. Every order ingested across any channel needs to go through an intelligent OMS that understands where the inventory is and sources it from the right locations.

Kibo Commerce's OMS, for example, is very business user friendly, allowing them to make changes without IT help. If a retailer wants to implement BOPIS, ship to home, ship from store or curbside—Kibo helps retailers quickly deploy these options in the market in less than four weeks.

Retailers now realize customer experience is a fulfillment and delivery story. The rubber meets the road when fulfillment and delivery happen in a highly effective way.



Powered by  monetate +  CERTONA



ORDER MANAGEMENT

Meet Shopper Needs for Anytime Fulfillment

With Kibo Order Management, you can track inventory across the entire order lifecycle with a single cloud-based solution. Automate your order routing decisions to optimize for cost, customer satisfaction, or whichever criteria best fit your business needs.

- GLOBAL INVENTORY VISIBILITY
- INTELLIGENT ORDER ROUTING
- OMNICHANNEL FULFILLMENT
- CUSTOMER & ORDER SERVICING

HOW AND WHY RETAILERS LAUNCHED CURBSIDE

For Joann Fabrics, about 250 of its 800 stores—nearly one-third—ship online orders as of August, up from only 100 stores at the beginning of the year. Joann converted more stores to be able to ship from store because of the surge in ecommerce orders during the pandemic, Chennakrishnan says. The majority of Joann.com’s orders are fulfilled from stores, as its distribution centers are mostly set up to replenish store inventory and not for direct-to-consumer orders, he says.



During the height of the stay-at-home orders in March and April, BOPIS and curbside pickup orders at Joann surged to 60% of online orders, and leveled off to about 40% of orders by the end of July.

At the start of the year, about 20-30% of Joann.com’s orders were picked up in store. During the height of the stay-at-home orders in March and April, BOPIS and curbside pickup orders surged to 60% of online orders, but it has leveled off to about 40% of orders by the end of July. Most of its stores are open as of the end of July, but some are closed because of restrictions at a mall or a specific locality. Joann does not know the breakdown of BOPIS vs. curbside orders.

The retailer also already implemented buy online pickup in store across its chain prior to the pandemic, but that did little good in March when half of its stores were closed. Even though it already was shipping from store, implementing curbside pickup would allow Joann to meet demand for shoppers who prefer picking up

HOW AND WHY RETAILERS LAUNCHED CURBSIDE

THE FULFILLMENT REPORT • 2020 EDITION

orders in store, such as shoppers who need a product right away and don't want to wait for shipping.

Because Joann already had store-level inventory visibility for its BOPIS and ship-from store services, it had the technology it needed to quickly launch curbside pickup. But it still had to display this new service to online shoppers, and it's taken a two-step approach to do it. For now, it's offering a basic, low-tech service, which allowed it to get the curbside option up and running in about two weeks. Meanwhile, it's working on a slicker, more highly integrated service that it hopes to have ready in September or October, Chennakrishnan says.

The basic version that is live today allows a shopper to order online and select curbside pickup when she checks out. Joann alerts the shopper via email when her order is ready. The customer calls the local store when she arrives, and an associate brings her order to her car.

One potential drawback is that each store has a limited number of phone lines, and during a busy period, these can all be in use, Chennakrishnan says. That could force a shopper to leave a voicemail and wait for an employee to pick up the message and deliver her order.

Joann is working on an improved curbside service that will provide a smoother pickup service for shoppers, Chennakrishnan says. With the new system, when an order is ready, Joann alerts the shopper by email. Within that email, the shopper can tap on an "I'm on my way" button when she is ready to go. That button opens up whatever map application she has automatically linked to her web browser, and that app populates directions to the Joann store where her order is waiting.

While the map feature is handy for the shopper, this also alerts Joann that the shopper is en route, and gives the store an idea of how long it will take her to drive there while also allowing them to

HOW AND WHY RETAILERS LAUNCHED CURBSIDE

THE FULFILLMENT REPORT • 2020 EDITION

have her order staged. Once the shopper arrives, she pulls into a numbered parking spot (currently Joann just has cars lined up in front of the store), and she can either text a provided number to say which parking spot she is in or hit the “I’m here” button in the same order-ready email and provide her parking space number.

“It’s not really for ROI, more for customer satisfaction and providing a seamless experience,” Chennakrishnan says.

Many other retailers are launching curbside as well. Of the Top 500 Digital Commerce 360 retailers with stores, 43.7% offer curbside pickup as of August, up from just 6.9% of Top 500 retailers with stores offering it before the pandemic.

For example, Gap Inc. has equipped all of its Old Navy, Athleta and Banana Republic stores that had buy online pickup in store available to now offer curbside. Gap stores don’t yet offer BOPIS, and therefore don’t offer curbside, says a Gap Inc. spokeswoman.

“From a technological perspective, it wasn’t a huge shift,” the Gap spokeswoman says about launching curbside. The main difference was the communication with its customers, and making sure store employees knew the new procedures, she says.

Best Price Nutrition launched curbside in March, and 12-14% of its online orders were picked up curbside during that month, Frigo says. As of August, 8-10% of its online orders are picked up curbside, he says. Burton Snowboards also plans to launch curbside and buy online pickup in store in October 2020, McAllister says.

After launching ship from store, Decathlon followed up with curbside, believing it to be a short-term offering, Benson says. But as consumers keep using curbside, Decathlon continued to offer it and plans to keep the service as an option as long as shoppers are



Burton Snowboards plans to launch curbside and buy online pickup in store in October 2020, according to Brian McAllister, global direct-to-consumer operations manager, Burton Snowboards.

HOW AND WHY RETAILERS LAUNCHED CURBSIDE

THE FULFILLMENT REPORT • 2020 EDITION

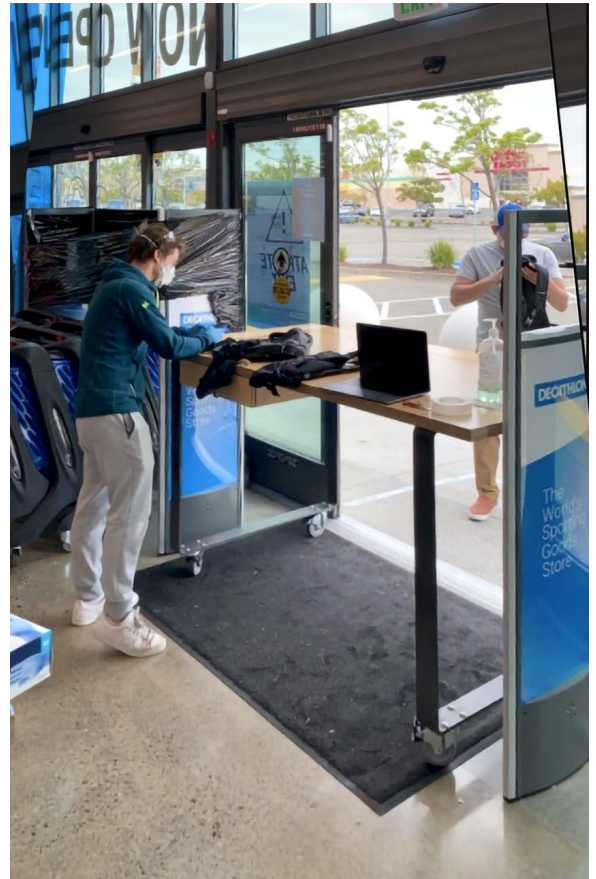
interested, says Benson without revealing usage figures. Similarly, Gap Inc. says it will also continue to offer the service as long as shoppers keep using it, the spokeswoman says.

And the data says consumer demand is there. In the August 2020 Digital Commerce 360 and Bizrate Insights survey, 24% of consumers said they've used curbside pickup multiple times since March. Additionally, 52% have used it at least once since March. When factoring out the 520 consumers that have not used curbside pickup, 46% of consumers that have used curbside have used it multiple times since March. In addition, of consumers that have used curbside since March:

- ▶ 62% had a positive curbside experience.
- ▶ 58% said curbside pickup was efficient.
- ▶ 46% have used curbside pickup multiple times since March.
- ▶ 39% said they will use curbside options more for the remainder of 2020.

Also in the Digital Commerce 360 August survey, 3% of online shoppers said they plan to place their first curbside order before the end of 2020, and 14% said they plan to use curbside pickup after shopping in stores returns to normal. This means that curbside still appeals to shoppers even as stores reopen. The service has been a haven for shoppers wanting to avoid indoor places, but could become a part of how consumers shop regularly going forward.

Similar to buy online pickup in store, curbside pickup saves the retailer (and the shopper) the cost of shipping the product to a customer's home. The drawback with curbside is that shoppers



Decathlon initially believed curbside pickup would be a short-term offering, but now plans to keep the service as an option as long as shoppers are interested.

HOW AND WHY RETAILERS LAUNCHED CURBSIDE

THE FULFILLMENT REPORT • 2020 EDITION

don't come into the store, like they do with BOPIS, and therefore don't see additional merchandise in the store for additional purchases. Some merchants try and recreate these impulse buys online, offering shoppers additional products on the cart page. However, within the store shoppers may be more apt to buy a product when they see it and can get it immediately.

Of all the store fulfillment options for an online order, Joann is clear about its preferred method: buy online pickup in store.

“Our preference is always for the customer to come into the store,” Chennakrishnan says. “We have always seen that with BOPIS, when she picks up an order in a physical store, we do have additional purchases that are made, which we have been tracking.”

“After a guest tries Drive Up for the first time, we see a nearly 30% increase in their overall spending,” says Target's chief operating officer John Mulligan.

The key for retailers is to ensure that all of these pick up options are easy and convenient for shoppers, which increases loyalty. This is what Target Corp.'s highly successful curbside program, “Drive Up,” has found.

“Our research continues to validate that after a guest tries Drive Up for the first time, we see a nearly 30% increase in their overall spending, including an increase in our conventional store shopping,” chief operating officer John Mulligan told investors during its fiscal second quarter ended Aug. 1, according to a SeekingAlpha transcript.

Target's multi-channel guests spend four times as much as store-only guests, and 10 times as much as digital-only guests, he added. 🚗



AMAZON

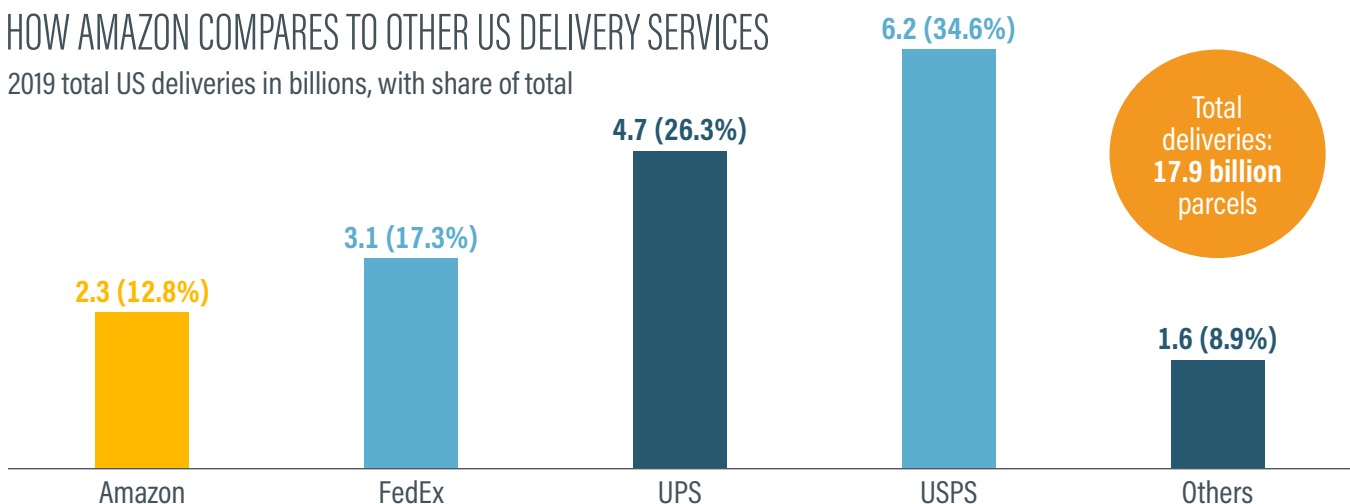
By Don Davis, editor at large
at Digital Commerce 360

Many online retailers were frustrated at the end of the 2013 holiday season when a combination of ecommerce growth and bad weather led to many consumers not receiving purchases in time for Christmas. But Amazon did more than gnash its teeth—it set out to build its own delivery network to ensure that its customers would not be disappointed.

Since 2014, Amazon has spent \$39 billion to build out a massive delivery network, according to Bank of America Global Research, a unit of big U.S. financial institution Bank of America Corp. And that investment soars to \$60 billion when including capital leases for such items as warehouses and aircraft, the report says. (Amazon leased 97% of its fulfillment and data center space in 2019, the retailer said in its annual report.)

HOW AMAZON COMPARES TO OTHER US DELIVERY SERVICES

2019 total US deliveries in billions, with share of total



Source: Bank of America Global Research

“Amazon is approaching a truly vertically integrated logistics network on par with the largest delivery companies in the world,” according to the report, released in April 2020.

That massive investment enabled Amazon to deliver 2.3 billion of the 4.5 billion parcels it shipped to U.S. consumers in 2019, the report says. That represented 22% of the 10.6 billion online retailer parcel deliveries last year in the U.S., and made Amazon the fourth-largest U.S. shipping service, the Bank of America report says.

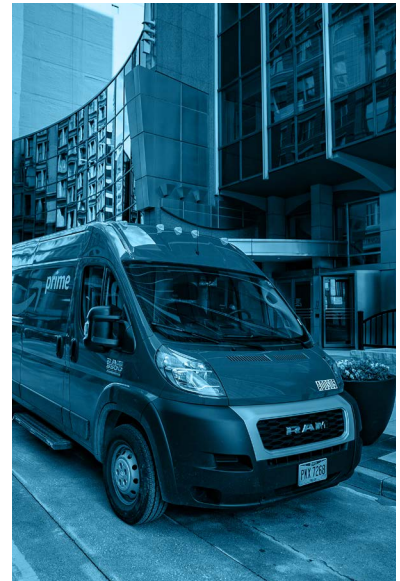
Internationally, Amazon handled 48% of its own deliveries—1.2 billion of the 2.5 billion packages it shipped outside of the U.S. in 2019, according to the Bank of America study.

What’s more, Amazon may compete more aggressively in the years ahead with its Amazon Shipping service to deliver orders for other online retailers, including those that do not sell on Amazon’s online marketplace. By 2025, Amazon could deliver between 7.5 billion and 9.7 billion packages in the U.S., including its own orders and those of other retailers. That would represent between 38% and 49% of what Bank of America projects will be 19.5 billion U.S. online order deliveries that year.

However, the report notes retail competitors may hesitate to hand over fulfillment to Amazon:

“Other B2C [business-to-consumer] retailers may not want to ship with Amazon, so Amazon may have to look to the B2B [business-to-business] market to grow its non-Amazon shipping business.”

Amazon announced in April plans to temporarily suspend its shipping service starting in June because of the pressure on its fulfillment network from increased demand since the COVID-19 outbreak. 🚚



By 2025, Amazon could deliver

7.5-9.7 billion packages

in the U.S., including its own orders and those of other retailers.

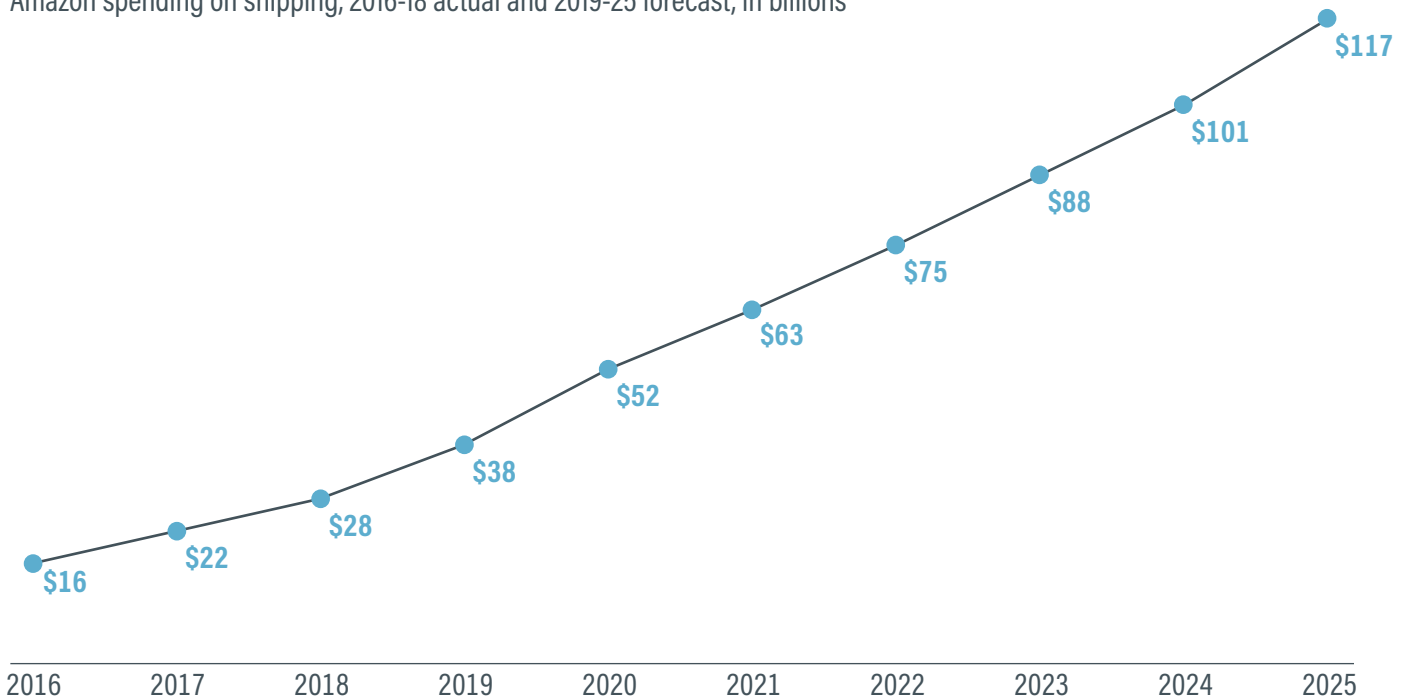
AMAZON SPENDS MORE ON SHIPPING PACKAGES

Besides investing in fixed assets like warehouses, robots and delivery vans, Amazon is steadily increasing its variable expenses for shipping, including fees paid to carriers, employee salaries and vehicle fuel and maintenance. Those shipping expenses more than doubled from \$16 billion in 2016 to \$38 billion in 2019, and will reach \$117 billion by 2025 as Amazon spends more on next-day shipping and online grocery delivery, Bank of America says.

That \$38 billion only includes what Amazon spent directly on delivering packages to consumers, including fees to delivery services like UPS, FedEx and the U.S. Parcel Service, the cost of operating its own delivery vehicles and expenses associated with sortation and delivery centers Amazon operates that organize parcels for final delivery.

AMAZON SHIPPING EXPENSES

Amazon spending on shipping, 2016-18 actual and 2019-25 forecast, in billions



Source: Bank of America Global Research

FULFILLMENT AND SHIPPING AS A PORTION OF OPERATING EXPENSES

Costs and share of operating expenses in billions

	2014	2015	2016	2017	2018	2019
Shipping costs ¹	\$8.71	\$11.54	\$16.17	\$21.70	\$27.70	\$37.90
Fulfillment ²	\$10.77	\$13.41	\$17.62	\$25.25	\$34.03	\$40.23
Shipping and fulfillment	\$19.48	\$24.95	\$33.79	\$46.95	\$61.73	\$78.13
Total operating expenses	\$88.81	\$104.77	\$131.80	\$173.76	\$220.47	\$265.98
Shipping and fulfillment's share of total operating expenses	21.9%	23.8%	25.6%	27.0%	28.0%	29.4%

1. Includes sortation and delivery centers and transportation costs 2. Includes costs incurred while operating and staffing fulfillment centers, physical stores and customer service centers as well as payment processing costs; process costs capture buying, receiving, inspecting and warehousing inventories as well as picking, packaging and preparing customer orders for shipment
Source: Amazon annual reports

In addition, Amazon's financial reports include a heading called Fulfillment, which includes the cost of operating and staffing its large fulfillment centers that hold inventory and where workers pick and pack merchandise into parcels for delivery. That expense line also includes some costs not related to delivery, such as for payment processing and operating customer service centers, but Amazon does not separate those out from the delivery-related outlays.

Including everything under Fulfillment, Amazon increased its spending for this line item from \$10.8 billion in 2014 to \$40.2 billion in 2019, when it represented 15.1% of Amazon's total operating expenses.

Taken together, the two line items for Shipping Costs and Fulfillment grew from \$19.5 billion in 2014 to \$78.1 billion in 2019, and from 21.9% of Amazon's operating expenses in 2014 to 29.4% in 2019.

One reason for the steady growth is that Amazon keeps improving its service, especially for Prime customers. For example, in 2019 the e-retailer went from promising free two-day delivery on Prime-eligible items to free one-day delivery. By 2020, that one-day

delivery promise covered some 10 million items, according to Amazon marketing agency Feedvisor.

Amazon CEO Jeff Bezos said in a testimony before a U.S. House of Representatives subcommittee in July 2020 that Amazon continually seeks to offer customers new services, even sometimes services they don't know they want or need.

“As a result, by focusing obsessively on customers, we are internally driven to improve our services, add benefits and features, invent new products, lower prices, and speed up shipping times—before we have to,” Bezos said. “No customer ever asked Amazon to create the Prime membership program, but it sure turns out they wanted it. And I could give you many such examples.”

Same-day delivery might fall into that category. While there was no visible demand for that service when Amazon began offering it in 2015 in 14 U.S. metropolitan areas, in a June 2020 Digital Commerce 360 and Bizrate Insights survey, 15% of consumers said they had taken advantage of Amazon's same-day delivery offer.

Continually raising the bar on delivery puts pressure on competitors, but is also costly for Amazon. Free next-day delivery for Amazon Prime members, which Amazon introduced in 2019, cost the retailer \$1.5 billion that year, the Bank of America says. But Amazon is reaping rewards by offering free shipping: A Bank of America consumer survey found that shipping cost is the second-most important consideration for online shoppers after the price of the merchandise itself.

And Amazon Prime members are noticing that orders are arriving faster. A recent Bank of America consumer survey found 42% of Prime members said Amazon orders have arrived more quickly over the past year compared to only 19% of Amazon customers not members of Prime. 🚚

'No customer ever asked Amazon to create the Prime membership program, but it sure turns out they wanted it.'

—Jeff Bezos,
CEO, Amazon

AMAZON'S GROWING WAREHOUSE AND DELIVERY CENTER NETWORK

Amazon now operates nearly 500 logistics facilities in the U.S. covering 173 million square feet and another 1,100 globally that cover 262 million square feet, the report says, referencing data from logistics consulting firm MWPVL. By July 2020, MWPVL had updated its data to say that Amazon was operating 576 fulfillment facilities in the U.S. covering 187 million square feet and had announced plans for another 204 locations that will cover 68 million square feet.

Here is a brief description of the facilities Amazon operates, as described in the Bank of America report:

- ▶ 10 receiving centers, often located near major seaports, take in products in bulk. These facilities average about 600,000 square feet.
- ▶ Receiving centers ship merchandise to 170 fulfillment centers, the giant warehouses near major highways that average 773,000 square feet and employ thousands of workers. There are “sortable” receiving centers, some for large items and others for small products, where workers pick and pack orders for delivery to consumers. More than 200,000 robots assist employees at 50 of these sortable centers. Fulfillment centers for non-sortable items



Amazon operates
20 air hubs
where cargo planes fly
parcels around the country.

range up to 1 million square feet in size and ship large items such as rugs and patio furniture.

- ▶ Packages destined for consumers outside of a fulfillment center's region are sent to one of 20 air hubs where cargo planes fly parcels around the country. Amazon is spending \$1.5 billion to expand its air hub in Hebron, Kentucky, near Cincinnati to serve as the center of its U.S. hub-and-spoke air cargo system. That project is due to be completed in 2021. Amazon operates 40 cargo planes and plans to expand to 70 planes by 2023.
- ▶ Whether from an air hub or a fulfillment center, packages go to one of 49 U.S. sortation centers, each averaging 340,000 square feet, where 100 to 300 workers per facility sort packages by ZIP code, putting them on pallets for shipment by truck.
- ▶ Last-mile delivery is handled by delivery stations— Amazon has about 200 delivery stations in the U.S. and plans to open another 84 in 2020, according to MWPVL. These facilities typically average 129,000 square feet, employ 200-300 workers and are located near airports of major cities. Drivers pick up packages at these delivery stations to cover the last mile to consumers' homes. 🚚

THE SHOPPER SPEAKS

SHIPPING CHALLENGES AND OPPORTUNITIES AMID A PANDEMIC

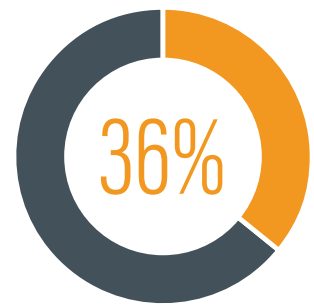
By Lauren Freedman, senior consumer insights analyst at Digital Commerce 360

In 2020, Digital Commerce 360, in conjunction with Bizrate Insights, surveyed shoppers pre- and post- pandemic on the all-important topic of shipping.

We felt it was imperative to survey shoppers months into the pandemic with all the shipping and delivery concerns that came to light during COVID-19. While our March survey was based on 1,000 online shoppers, our August post-pandemic survey included 1,141 online shoppers. The answers reveal inventory challenges and how consumers searched for alternative fulfillment options beyond home delivery during the pandemic. Shoppers tested new curbside experiences as that was often their only option during the pandemic to receive goods quickly. The results were positive for both retailers and shoppers, creating a new store pickup model with a trajectory that is likely to continue upward.

However, we caution retailers to pay attention. There is room for improvement in all fulfillment options as only 27% of online shoppers surveyed in August expressed satisfaction with the quality of service from delivery companies, such as FedEx and UPS.

Even more concerning is that only 17% of shoppers in the August survey said that the customer service requests regarding their order shipments have met or exceeded expectations. This was down from 22% in March. In this regard and during these unprecedented times,



36% of shoppers said retailers met their needs for timely delivery when surveyed in August, down from 56% in March.

THE SHOPPER SPEAKS

THE FULFILLMENT REPORT • 2020 EDITION

retailers must weigh the benefits of improved customer service. It is my belief that this can be a true differentiator for a merchant and should be prioritized accordingly.

Retailers must invest in logistics as Amazon.com Inc. continues to gobble up market share. Despite its formidable power, even Amazon faced delivery issues during initial COVID-19 months. Like many others, I encountered backorders and unusual delays during the early months of the pandemic and even canceled an order. The good news is that more recently I've received my Amazon.com packages on time.

Shoppers have come to rely on timely delivery. Pre-COVID-19, 56% of shoppers said retailers met their timely delivery needs. Unfortunately, in August, that dropped to 36%, reinforcing the challenging role of inventory. That is core to our discussion and the starting point for three important questions and their bottom-line impact on ecommerce. 🚚

DID SHOPPERS FACE INVENTORY CHALLENGES DURING COVID-19?

On-time delivery is one of the key metrics that drives ecommerce success. Our August study found that only 36% of online shoppers saw their expectations met.

Merchants have also struggled with inventory availability both in-store and online. 51% of shoppers polled in August had orders delayed due to inventory issues while 30% canceled orders due to out-of-stock products.

These inventory issues likely caused many shoppers to abandon an order during the pandemic. 27% of August respondents abandoned an order because the estimated arrival date was too far in the future, and 21% abandoned them because the product would not arrive quickly enough to meet their needs. Interestingly, these abandonment stats were almost double our March pre-COVID survey. 📊

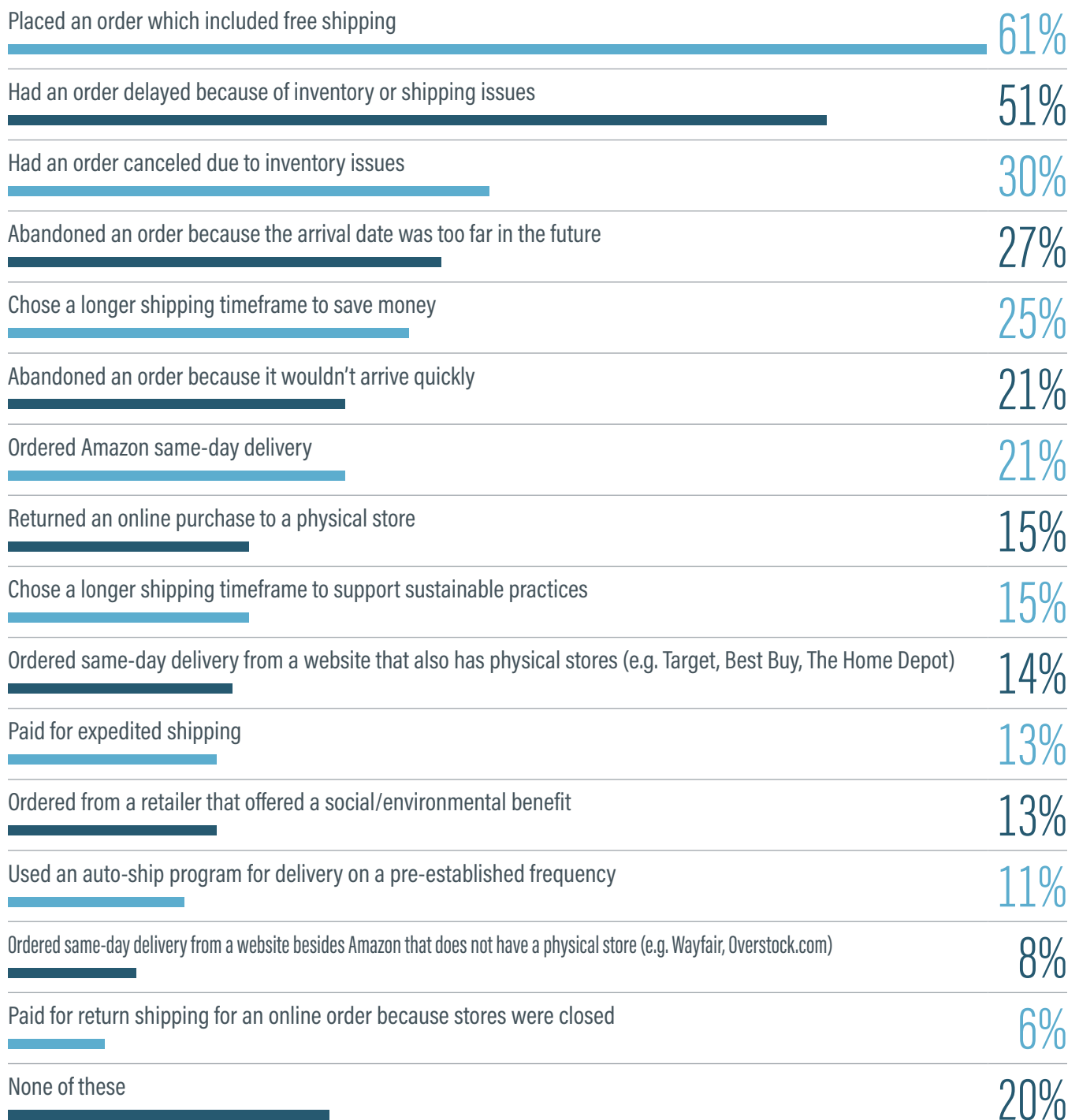
BOTTOM LINE

Inventory shortages favor shoppers moving online for better in-stock transparency, and if shoppers see that it is in stock, they'll likely opt to purchase it.

CONSUMER SURVEY

THE MAJORITY OF SHOPPERS HAVE HAD AN ORDER DELAY DURING COVID-19

Which of the following have you experienced online during COVID-19? (multiple responses allowed)



Source: Digital Commerce 360/Bizrate Insights survey of 1,141 online shoppers, August 2020

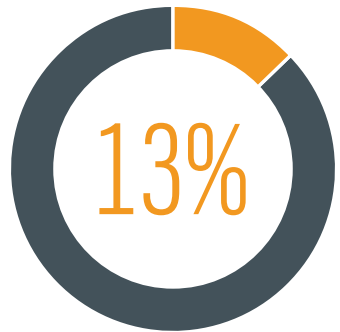
WAS SAME-DAY DELIVERY IMPORTANT TO SHOPPERS DURING THE PANDEMIC?

Only 10% of shoppers said that they were satisfied with retailers' ability to deliver a product on the same day they ordered it, and satisfaction for less than two-hour delivery was a mere 4%. If shoppers have challenges when looking to place same-day orders and two-hour deliveries, those shoppers may not choose expedited delivery in the future.

Consumers said they ordered from the following businesses for same-day delivery:

- ▶ 21% from Amazon
- ▶ 14% from retailers with physical stores, such as Target and Walmart
- ▶ 8% from web-only retailers

While 13% had paid for expedited shipping, most shoppers did not spend extra money to get their products faster. Instead, shoppers likely just expected orders to ship faster than what the retailer guaranteed. 61% of shoppers said they ordered a product with free shipping during the pandemic. Let's face it, shoppers have been conditioned to expect free and there's no turning back. 🚚



Only 13% of shoppers paid for expedited shipping. Shoppers have been conditioned to expect free and there's no turning back.

BOTTOM LINE

Same-day shipping gains traction during the pandemic among a segment of online shoppers. However, many consumers still don't want to pay for shipping, expedited or otherwise.

WHAT ROLE DID CURBSIDE PICKUP PLAY DURING COVID-19?

Curbside pickup is one of the most significant fulfillment changes and challenges stemming from the pandemic. A quarter of online shoppers reported taking advantage of curbside pickups for grocery and non-essentials. This is up significantly from our March survey, when only 9% of respondents said they used curbside.

In fact, shoppers used curbside pickup during the pandemic as much as they used buy online pickup in store before the pandemic, with 25% of consumer saying they used BOPIS for non-grocery items and 17% used BOPIS for groceries in March.

Even more telling about the future of curbside is the 17% of consumers in the August survey who said they tried curbside for

CONSUMER SURVEY

WHICH OF THE FOLLOWING SHIPPING SCENARIOS HAVE YOU EXPERIENCED ONLINE SINCE COVID-19 BEGAN?

Multiple responses allowed

Purchased non-grocery items for curbside pickup at a store	26%
Purchased non-grocery items for pickup at a store	25%
Purchased groceries online for curbside pickup at a store	23%
Purchased groceries online for pickup at a store	17%
Shipped to a package delivery locker (e.g. UPS or FedEx locker)	4%
Shipped to a collection point other than the retailer's store for pickup (e.g. Walgreens, FedEx, UPS)	4%
Shipped an order to an Amazon-run store that handles pickups and returns	3%
Shipped to an Amazon locker in a non-Amazon location (mall, convenience store, Kohl's or other individual retail store)	3%
None of these	52%

Source: Digital Commerce 360/Bizrate Insights survey of 1,141 online shoppers, August 2020

CONSUMER SURVEY

PLEASE SELECT ANY RETAIL STORE CURBSIDE PICKUP EXPERIENCES YOU MAY HAVE HAD SINCE THE PANDEMIC BEGAN IN MARCH

Multiple responses allowed

Had a positive curbside experience	32%	Pickup took more than five minutes from arrival	14%
Curbside pickup was efficient	30%	I plan to use curbside pickup after shopping in stores returns to normal	14%
Used curbside pickup multiple times since March	24%	Had a negative curbside experience	6%
I plan to use curbside options more for the remainder of 2020	20%	Curbside pickup was chaotic	5%
Pickup took less than five minutes from arrival	18%	I will likely place my first curbside order before the end of 2020	3%
Tried curbside for the first time	17%	I have not used curbside pickup since the pandemic began in March	48%

Source: Digital Commerce 360/Bizrate Insights survey of 1,141 online shoppers, August 2020

the first time during the pandemic, and the 20% who said they plan to use it during the remainder of the year. Shoppers using curbside multiple times since the start of COVID-19, at 24%, also bodes well for long-term adoption.

While only 14% of consumers intend to use curbside pickup after stores are back to normal, I predict this percentage will be higher based on consumers realizing how much time the service saves them and the positive feedback shoppers give for the service. Of course, it is one thing to try it, but it's another thing to be thrilled with the experience. Of the 52% of consumers who used curbside during the pandemic, 32% rated their curbside experiences positively, while only 6% gave it a negative score. Typically, if someone has a poor experience, they are sure to make that known, so these findings are impressive.

As many retailers were new to curbside and use was high among online shoppers, it was powerful to see that 30% rated pickup efficient and just a handful (5%) gave it a chaotic score. It is the time-savings that will be top-of-mind as shoppers continue to choose curbside. 🚗

BOTTOM LINE

Curbside was the winning formula emanating from the pandemic and adaption will likely grow in the future.

OUTSOURCING FULFILLMENT

With all of the complexities that go into fulfillment, a number of retailers opt to outsource this part of the ecommerce operation.

Retailers have a growing number of options to choose from to handle fulfillment, including Amazon.com Inc., Shopify Inc. and Newegg Inc. Plus, several on-demand platforms that once specialized in delivery in another sector—such as restaurants or grocery—are expanding into package delivery for retail.

The benefit of these on-demand platforms is in their name: They offer fulfillment on demand. Meaning, retailers can call on them to deliver orders that day, often delivering packages within hours to a customer's home. The drawback is that this adds an additional fee to the cost of fulfillment, which retailers may or may not pass on to shoppers.

Some merchants choose a hybrid approach and ship packages using both a vendor and their in-house resources. When package volumes surge, retailers may not have the internal capacity to handle the increase or may have a cap on shipments with their current shipping carriers and may look to these other platforms to fill in the gaps. The platforms are especially attractive for retailers wanting to offer a same-day or within-hours delivery option for shoppers but don't have the capacity to do it on their own.

Same-day fulfillment is largely the reason why Target Corp. bought then-startup Shipt Inc. for \$550 million at the end of 2017. The service is a success, says Hilding Anderson, head of retail strategy at digital consulting firm Publicis Sapient, pointing to Target's recent fiscal Q2 ended Aug. 1, in which sales fulfilled via Shipt increased 350% year over year.



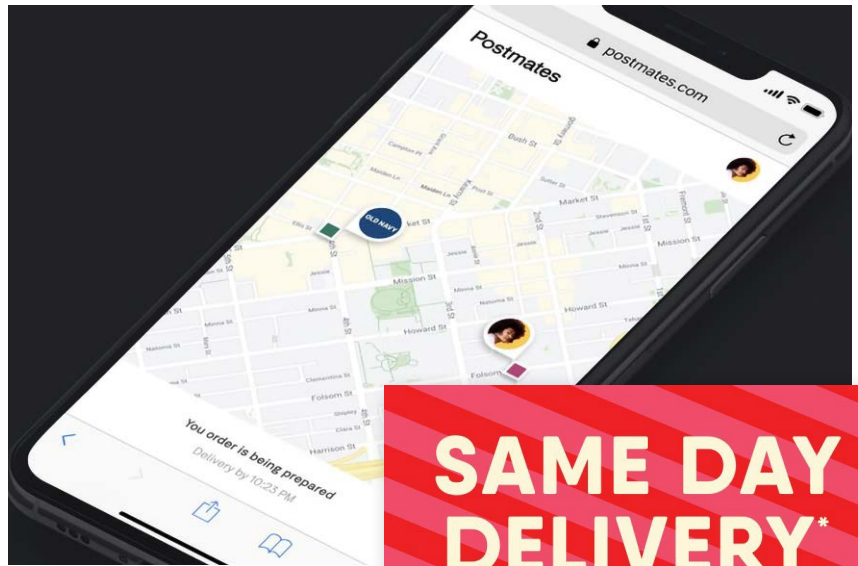
'On-demand platforms are expensive, but a good option for retailers as they explore faster than same-day delivery.'

—Hilding Anderson,
head of retail strategy,
Publicis Sapient

OUTSOURCING FULFILLMENT

THE FULFILLMENT REPORT • 2020 EDITION

“On-demand platforms are expensive, but a good option for retailers as they explore faster than same-day delivery,” Anderson says. “As retailers transform themselves digitally, they increasingly realize that rapid fulfillment needs to be integrated into their omnichannel digital strategy. For many, that means building their own capability in some markets, as well as assembling a set of partners elsewhere.”



Walmart Inc. is an example of a retailer using a hybrid of both its own employees and a set of partners for two-hour delivery. Walmart first worked with Uber for grocery delivery, then severed that relationship in 2018 and has since moved on to using Postmates and DoorDash. As of July, Uber announced it would buy Postmates for \$2.65 billion. The deal is expected to close in the first quarter of 2021.

In May, Walmart announced delivery for online orders in less than two hours from 1,000 stores, which it has since expanded to 2,000 stores. How Walmart powers its same-day delivery program varies by market, but now includes 74,000 personal shoppers, DoorDash and Postmates. Walmart started this program with grocery and is rolling out to other products. These programs all work alongside Walmart’s normal ecommerce shipping options, as well its own curbside pickup program.

Gap Inc.’s Old Navy did this during the 2019 holiday season. The apparel retail chain announced that shoppers who placed an

Old Navy partnered with Postmates during the 2019 holiday season for same-day delivery.

OUTSOURCING FULFILLMENT

THE FULFILLMENT REPORT • 2020 EDITION

order for buy online pickup in store in December could select for that order to be delivered to her home via Postmates. With this model, Old Navy's stores were key, as it used them for inventory and for their convenient locations, as they were likely closer to a shopper and a Postmates driver than a warehouse. Old Navy, however, declined to share any details on the program, and a spokeswoman declined to share if it would ever resume a similar on-demand delivery program.



As of August, **800** Walgreens stores have DoorDash delivery, and the retailer plans to expand throughout 2020.

A few retailers have already expanded their shipping services to use on-demand platforms during the pandemic, including Walgreen Co. and Tractor Supply Co.

In March, Walgreens expanded the number of cities it uses service Postmates in, which it started working with in October 2019. Now, more than 7,000 stores use Postmates for on-demand delivery. In July, Walgreens also announced it started working with DoorDash to meet the demand for shoppers wanting convenient shipping and delivery options, says a Walgreens spokesman. As of August, 800 stores have DoorDash delivery, with plans to expand the number of stores and markets throughout 2020, the spokeswoman says.

Walgreens has noticed that shoppers' expectations and behavior has changed over the past few years for fulfillment, but the pandemic has expedited these behaviors, the spokeswoman says.

"These collaborations were in the works prior to COVID-19," she says. "However we recognized that our customers were looking for

OUTSOURCING FULFILLMENT

THE FULFILLMENT REPORT • 2020 EDITION

new ways to shop. We therefore expedited plans and in some cases, rolled out these capabilities to additional markets.”

Similar to Walgreens, Tractor Supply in April also expanded its on-demand fulfillment services in light of the pandemic. It expanded its existing deal with crowdsourced delivery company Roadie Inc. to all of its 1,862 stores up from its pilot of 400 stores.

Originally, Tractor Supply planned to expand the service gradually over a year. However, given the escalation of the COVID-19 pandemic, customer demand for delivery services became more pronounced, causing Tractor Supply to move up the timetable dramatically, says Rob Mills, chief technology officer, digital and strategy, at Tractor Supply.

“It was a very smooth and seamless transition,” Mills says. Because the retailer already integrated Roadie into its systems as an option consumers could choose at checkout, it was able to roll out Roadie to all stores in less than three weeks.

Roadie uses a network of more than 150,000 independent drivers that operate vehicles of all kinds. The company says it can offer same-day delivery to 89% of U.S. households. Mills says Roadie’s flexibility and large footprint made it a good fit. For large shipments, he says, Roadie drivers with SUVs or light trucks can use store-supplied trailers to deliver large, heavy items such as lawn tractors.

While grocery retailers were more apt to use on-demand services, many retailers are noticing shoppers want and will pay for home delivery within hours after their purchase. With fulfillment operations at capacity, and no signs of slowing down before the holidays, retailers may want to look into expanding into on-demand delivery options now before peak season. 🚚

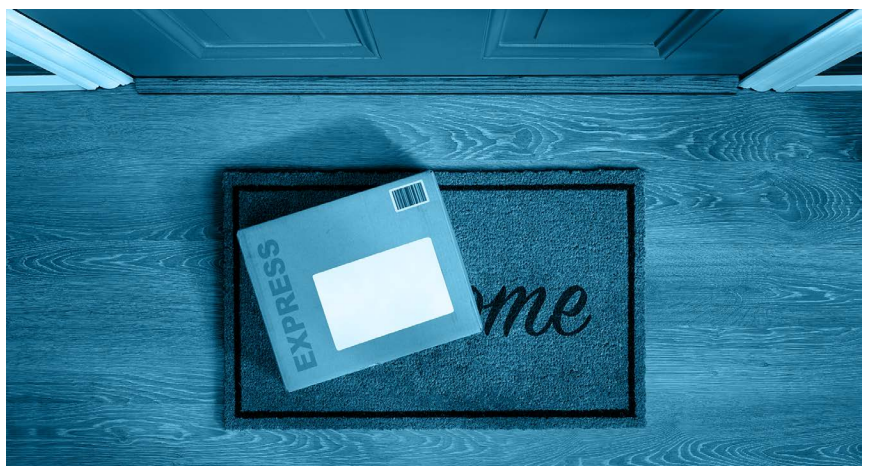
CONCLUSION

Fulfillment is often the last touch point for the customer experience. If a retailer has a stellar website and offers a great product at a great price, but botches fulfillment, it may leave a lasting negative impression with a shopper.

Retailers have long worked hard on nailing a superior shipping service. They have watched their peers and competitors, and examined what shoppers want and strived to deliver it. For years that was free shipping, and the majority of Digital Commerce 360 Top 1000 retailers now offer some way for a shopper to receive this perk. The more recent superior fulfillment marker is now speed, with retailers pushing the limits on two-day shipping to next- and same-day shipping, and even within hours.

2020 posed new challenges for fulfillment. Retailers had to adapt—and fast—to enhance their safety measures in warehouses, secure their merchandise for a continuous supply, keep up with an accelerated consumer appetite for online shopping, and clearly communicate delivery times, which are often longer now due to increased online shopping.

But, retailers are rising to this challenge, launching new services and working hard to keeping their fulfillment operations humming before the next challenge arrives. 🚚



ABOUT THE AUTHOR

April Berthene is the managing editor at Digital Commerce 360. April oversees all editorial content for Digital Commerce 360 Retail including daily news, strategic articles and executive reports. April joined Digital Commerce 360 in 2014, covering mobile commerce for Internet Retailer Magazine. She earned her journalism stripes covering local news as the editor of The Winnetka Current newspaper on Chicago's North Shore. April earned her bachelor's of science in news-editorial journalism with a minor in business at the University of Illinois.



April Berthene
Managing Editor, Digital Commerce 360
april@verticalwebmedia.com
312-572-6283

DIGITAL COMMERCE 360 TEAM

FAREEHA ALI

Research & Editorial Director
fareeha@digitalcommerce360.com
312-946-2048

LAURA BERRIGAN

Project Manager, Research
laura@digitalcommerce360.com
312-572-6261

TABITHA CASSIDY

Content Manager & Analyst, Research
tabitha@digitalcommerce360.com
312-572-6252

LAUREN FREEDMAN

Senior Consumer Insights Analyst
lfreedman@digitalcommerce360.com
312-572-7004

JONATHAN LOVE

Associate Data Analyst
jon@digitalcommerce360.com
312-362-0069

BRENDAN REILLY

Research Analyst
brendan@digitalcommerce360.com
312-362-0076

JAMES RISLEY

Research Analyst
jrisley@digitalcommerce360.com
312-572-7005

JILL SUCHOMEL

Data Assistant
jill@digitalcommerce360.com
312-362-0273

JESSICA YOUNG

Senior Research Analyst
jessica@digitalcommerce360.com
312-362-0104

ABOUT DIGITAL COMMERCE 360 RESEARCH

At Digital Commerce 360 Research, our goal is to provide data and information about ecommerce that helps retail companies, investors and technology providers prosper.

The team tracks hundreds of metrics on thousands of online retail companies around the world, including such sought-after data points as web sales and traffic, conversion rates, average order value and key technology partners used to power their ecommerce businesses. We sell this data in its raw format in our multiple online databases, and we dig deeply into these numbers to help inform our 30+ exclusive analysis reports we publish each year on key ecommerce topics, including online marketplaces, cross-border ecommerce and omnichannel retailing. In-depth, data-focused reports are also available on key categories of online retail like apparel, housewares, food and luxury. We also have a robust custom research department, which provides tailored research products—in-depth reports, exclusive surveys, raw data pulls and other products—for top retail companies, consultants, financial analysts and technology companies.

COPYRIGHT

Copyright 2020, Vertical Web Media LLC. All rights reserved. All Content of the Digital Commerce 360, The Fulfillment Report 2020 Edition, whether in print or digital formats, and all content of the Top500Guide.com database version of this publication (collectively, the “Content”, “Report”), is owned by Vertical Web Media and protected by U.S. Copyright and by applicable intellectual property laws worldwide. The Content is intended solely for the personal use of Purchasers or Authorized Recipients of said Content, which use is limited to viewing, analyzing and creating reports for internal noncommercial use only. Purchasers and Authorized Recipients of the Content may share such usage with others within his/ her company, but may not copy, download, reproduce, republish, sell, make available, distribute, display, transmit, share, or otherwise distribute any part of the Content to any other persons or entities without the written permission of Vertical Web Media. Purchasers and Authorized Recipients of the Content, in any and all of its formats, may not modify, create derivative works of, reverse compile, disassemble or reverse engineer, republish, sell, license, lease, sublicense, assign, incorporate into published material or any information retrieval system, or otherwise transfer any of the Content without written permission of Vertical Web Media. The trademarks and service marks “Vertical Web Media”, “Digital Commerce 360”, and “Top 500 Guide®”, and any logos, designs, slogans or other source-identifying devices, including combinations thereof (excluding any third party owned trademarks or service marks) (“VWM Trademarks”) displayed on print, digital and Top500Guide.com database research products are owned by Vertical Web Media. The Digital Commerce 360, Report print, digital and database research product is designed to provide accurate and authoritative information in regard to the subject matter covered. This research product is sold with the understanding that the publisher is not engaged in rendering financial, legal, accounting, tax or other professional service. Vertical Web Media makes no warranty as to the reliability, accuracy, timeliness, usefulness, adequacy, completeness or suitability of the Digital Commerce 360, Report.