



## Click-and-Collect Seamlessly Merges Physical, Digital Consumer Channels

### What U.S. Retailers Can Learn From Their European Counterparts

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**Abstract:** How can shopping center retailers and landlords benefit from click-and-collect? This report focuses heavily on Europe, where the practice is more prevalent than in North America, to give a sense of how it might develop in the United States. It explains why click-and-collect has become more common, demonstrating why this outgrowth of omni-channel retailing benefits both the retailer (e.g., eliminating the expense of shipping directly to the consumer, ancillary selling opportunities) and the consumer (shorter wait times for packages, avoiding shipping-and-handling fees).

#### 1. What is Click-and-Collect?

The acronym BOPUS (Buy Online, Pick Up in Store) describes the two movements performed by the shopper in click-and-collect, but far more is involved in what retailing analyst Michelle Mallison has described as a “customer-centric, channel-agnostic” delivery method. Its ultimate promise is *the merger of e-commerce and physical stores into a seamless whole*, eliminating time and expense associated with the “last mile” (i.e., the final phase of transporting an item to the customer).<sup>1</sup>

Click-and-collect possesses significant advantages: for shoppers, added convenience; for retailers, limiting delivery costs,

since customers assume the expense of transporting items from the store to the home.

Click-and-collect (and its variant, reserve and collect, in which an item is reserved online but paid for in-store) can take several forms once an order is made online:

1. delivery to the collection point of a third-party network such as Penguin Pick-Up, a service offered by the Canadian developer SmartCentres;
2. collection from a designated store;
3. collection from a centralized click-and-collect hub in a shopping center;

#### Lessons Learned

By eliminating time and expense associated with items ordered online, the “click-and-collect” fulfillment method or BOPUS (Buy Online, Pick Up in Store) *maximizes the advantages of the physical and digital channels*. Among the advantages of this method—already solidly entrenched in Europe and now becoming more heavily used in the United States—are:

- *Users’ avoidance of shipping fees*—the chief reason they cite for liking click-and-collect;
- *Consumers’ saving on average 1.6 days per order versus home delivery of online purchases*, according to the results of a survey of 54 U.K. retailers;
- *An increasing menu of options when it comes to retrieving items in store*, with one being especially noteworthy in the auto-centric U.S.: an external/vehicular accessible pick-up zone;
- *Consumers’ awareness that they can return an item in store*, which puts them in a position to purchase other goods on the same trip; and
- *Incidental sales to retailers*, resulting from visiting the store for picking up an item ordered online.

Despite demonstrable gains in sales and traffic, a number of U.S. retailers are experiencing difficulties in using click-and-collect revolving around logistical factors, including: legacies of separate distribution networks for online and store network businesses; inventory systems that may not always be accurate; the unavailability in-store of an item appearing online; high-volume items in demand both online and in the physical store; and higher-than-anticipated expenses associated with customer pick-up.

Nevertheless, the use of physical stores as collection point for online orders underscores these locations’ value as *the cornerstone of retailers’ omni-channel strategies*, because it increases brand awareness and creates value-added engagement.

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<sup>1</sup> Michelle Mallison interviewed by Elizabeth Friend for click-and-collect podcast, Euromonitor, Jan. 27, 2017.

4. collection of items ordered online from a pick-up zone accessible by vehicles, through a curbside program;
5. retrieval of merchandise from a convenience store, gas station or other manned locations through parcel stores; and
6. collection from a locker—an unmanned, automated locker box located on a street or in a supermarket, gas station or commuter station.

## 2. How Has Click-and-Collect Evolved?

*Click-and-collect is not as widely used in the United States as in Europe*, where it became a feasible consumer choice in the United Kingdom, for instance, as early as a half dozen years ago.<sup>2</sup> But even in America it has been making great strides in comparatively little time.<sup>3</sup> The practice has become increasingly common as time-pressed shoppers seek to reduce waiting in store or at home for packages to arrive. Nearly half (49%) of Americans reported using it for the first time in 2016, and 71% of respondents identified themselves as experienced click-and-collect users—i.e., they had used the option in the prior 12 months.<sup>4</sup>

Consumers who used click-and-collect cited three major reasons for choosing this option, according to a 2016 survey conducted by *Internet Retailer*. The most commonly mentioned was avoiding shipping fees (73%), while convenience (32.2%) and needing the purchase to be delivered that day (30.4%) were also frequently cited.<sup>5</sup>

The impact of click-and-collect was demonstrated most vividly in the most recent holiday season in the U.S. According to ICSC's consumer survey results, over one-third (36%) of those who bought during this period used click-and-collect. Of these holiday shoppers, 61% said they generally spent additional money at least once at that store/tenant, an adjacent establishment, or another unit within the same center when they went to retrieve their online order. Subsequent surveys confirmed this finding.<sup>6</sup>

Although these numbers underscore the spread of this fulfillment method, *major hurdles remain* in the way of U.S. retailers' bid for full-scale implementation and universal acceptance by consumers. For instance, in addition to their regular tasks, store employees may have to select and pack items ordered online.

From the consumer point of view, one piece of technology—the smartphone—may also be imposing a ceiling. Americans remain hesitant about loading many retail apps onto their mobile devices lest they consume too much memory and crash.<sup>7</sup> Nevertheless, even in this instance, the growing consumer tendency to make this electronic equipment a frequent part of their shopping arsenal is deeply pronounced. In results released in June 2016 by the E-tailing Group, 64% of U.S. smartphone users picked up their mobile purchases in-store at least monthly.<sup>8</sup>

For American firms, Europe can serve as a kind of laboratory where the results of experimentation with click-and-collect can be observed. In the United Kingdom, as early as 2014, 35% of all e-commerce shoppers said they used the service, compared with only 13% in the U.S., according to research conducted by Planet Retail.<sup>9</sup> Among French online consumers, 26% use the option every time (or at least most of the time) it is available, the highest share among six European countries surveyed, according to the research company Forrester.<sup>10</sup>

Along the way, retailers that have used the practice have introduced significant variations. In one of these innovations, nicknamed "*click-and-commute*," the U.K. firm Duddle offers customers of several British retailers (e.g., Marks & Spencer, House of Fraser) the option of shipping ordered items to a Duddle store near their office or closest train station.<sup>11</sup> In the U.S., through the mobile app DropSpot, customers can pick up packages through a network of neighborhood stores. That network now numbers approximately 1,000 merchants, and is expected to double by year-end 2018.<sup>12</sup>

## 3. Importance of Click-and-Collect to the Shopping Center Industry

There are two major benefits of click-and-collect for both retailers and shopping center owners: *traffic and additional spending in store when an item is picked up*. In the U.K., the research firm Verdict Retail forecasts that click-and-collect expenditures will grow 64% from 2016 to 2021 compared with 38% online growth in the same period. While expenditures are anticipated to grow in every category, apparel and footwear are expected to drive most of this increase.<sup>13</sup>

<sup>2</sup> During the 2010 holiday season, extreme weather conditions resulted in delayed home deliveries of many online orders, leading retailers to request that shoppers pick up their items themselves. Subsequent increases in carrier and postal rates led British retailers to seek lower-cost alternatives. See *IMRG Collect+ UK Click and Collect Review 2016: Executive Extract*, p. 5; Zoe Wood, "[Click and Collect Takes Off as Shoppers Buy Online and Pick Up in Person](#)," *The Guardian* (U.K.), June 8, 2011.

<sup>3</sup> Among the U.S. retailers who now use click-and-collect: Nordstrom, Apple, Home Depot, The Container Store, Gap, Toys 'R' Us, and Wal-Mart. See Shannon Warner, "[Why In-Store Pick-Up Is the Tip of the Omnichannel Iceberg](#)," *Retail Info Systems News White Paper*, Dec. 13, 2013, p. 1.

<sup>4</sup> Bell and Howell, "[2017 Click and Collect Retail Consumer Preference Study](#)," p. 7.

<sup>5</sup> Stefany Zaroban, "[A Closer Look at the Buy Online, Pick Up in store Shopper](#)," *Internet Retailer*, Aug. 30, 2016.

<sup>6</sup> International Council of Shopping Centers, "Holiday 2016: Omni-Channel Dominant," *Industry Conditions*, Jan. 5, 2017, p. 3; "The Importance of Physical Stores' 'Halo Effect,'" *Industry Conditions*, May 30, 2017, p. 7; "Physical Stores Drive Back-to-School Shopping," *Industry Conditions*, July 19, 2017, p. 1.

<sup>7</sup> "[US Online Shoppers Turning To International Retailers](#)," *MH&L*, June 8, 2017; Nancee Halpin, "[US Retailers Should Look to the UK in Order to Grow Click and Collect](#)," *Business Insider*, Aug. 25, 2016. From teens to those in their 50s, Americans keep between six and fifteen downloaded apps on their mobile devices, with three of four Americans of all age groups saying they have deleted apps due to slow speeds. See Andy Boxall, "[Smartphone Users in the U.S. Have on Average Between Six and 15 Apps on Their Phones](#)," [www.businessofapps.com](#), May 7, 2017.

<sup>8</sup> E-Tailing Group survey results cited in "e-Marketer U.S. Omnichannel Retail StatPack 2017: Marketer and Consumer Trends," August 2017.

<sup>9</sup> "[UK Click & Collect 2014](#)" (report description), [www.planetretail.net](#).

<sup>10</sup> "[E-commerce in Europe Needs Click & Collect to Thrive](#)," *Ecommerce News*, Jan. 21, 2016.

<sup>11</sup> Jessica Twentyman, "[How to Make Click-and-Collect a Duddle for Retail e-Commerce](#)," *Diginomica*, Feb. 13, 2017.

<sup>12</sup> Deborah Weinswig, "[Deep Dive: The US Retail Revolution Solution](#)," *Fung Global Retail & Technology*, July 7, 2017, p. 11.

<sup>13</sup> Verdict Retail's *Click and Collect in the UK 2016* cited in Kate Lupton, "[Almost Two-Thirds Growth in 'Click and Collect' Expenditure Expected Over Next Five Years](#)," [www.bis-henderson.com](#), Feb. 16, 2017.

In addition, click-and-collect brings consumers that cross age groups. While baby boomers are the most likely to make impulse purchases during in-store pickup (79%), other generations have also displayed a strong propensity to shop in this manner.<sup>14</sup>

Forward-thinking companies are considering *complementary products and services* that capitalize on this new stream of shoppers. As early as 2014, 46% of respondents for a report conducted by the Ebelftoft Group claimed that their retail sales increased as a result of their cross-channel strategy.<sup>15</sup>

Additional traffic and sales are pushing to the forefront new leasing issues posed by the goal of integrated, synergistic omni-channel retailing. Digitization has made traditional metrics such as sales through physical space increasingly problematic in capturing store value generated by brick-and-mortar retail.<sup>16</sup> With consumers interacting with products on a number of sales platforms and the transaction not having to occur in-store, attributing sales to the physical location—and collecting rent based on that—has become more complicated.

But click-and-collect has become a *useful method of increasing brand awareness and creating value-added engagement*. As it becomes more common in the U.S., it will likely generate more pointed discussion among retailers and mall landlords about the proper lease treatment of online-originated sales collected in a shopping center.

Furthermore, click-and-collect is a key part of the process of using the store as a focal point in retailers' omni-channel strategies. While consumers are in store picking up their items, they can see and touch other merchandise. If that store is out of an item or does not have a desired size, consumers can access the retailer's online capability for an extended inventory outside that immediate physical location. Such grocers as Tesco enable consumers to access a wider range of non-grocery items, particularly household goods, entertainment and toys.

The placement of a click-and-collect location within a shopping center also opens up the possibility not only that the store itself may enjoy additional traffic and sales, but also that other tenants might benefit, too. Once assured that their items are ready and can be picked up quickly, consumers then have more time to visit other tenants in the shopping center for additional items.

#### **4. What Are the Key Considerations When Adopting/ Expanding a Click-and-Collect Practice?**

Integrated inventory data systems facilitate pickup of online purchases from local store inventory. Depending on a collaborative approach throughout the supply chain, including operations such as order picking and reverse logistics/returns

management, these systems culminate in the store's use as a fulfillment center.

But many retailers are experiencing difficulties in implementing these systems, involving:

1. a legacy of separate distribution networks for online and store network business;
2. an inventory system that may not always be accurate;
3. customer disappointment if the item shown available online is not in the store;
4. high-volume items in demand both online and in the physical store; and
5. higher-than-anticipated expenses associated with customer pickup. (While offering click-and-collect as a free service is widespread, its explosion in popularity has led a few retailers, such as supermarket Tesco and department store John Lewis in the U.K., to curb what they view as unsustainable costs by charging small fees in some cases.)<sup>17</sup>

In short, setting up and maintaining click-and-collect can be a complex and expensive proposition.

Retailers are already recognizing steps needed to solve these problems. Nearly four-fifths (38%) of retailers surveyed by the Ebelftoft Group listed as a priority "cross-channel trained store employees." By training cashiers and other store workers to act as click-and-collect pickers and assemblers, they can restrain labor costs while still dealing with a sudden surge in online orders.<sup>18</sup>

##### *A. Store Collection Procedures and Policies*

Companies have been offering a variety of options for collections from store locations. Among the more intriguing types—one with particular possibility in the United States because of the widespread presence of autos throughout the nation—is collection of items ordered online from a pickup zone accessible by vehicles.

The Palo Alto, Calif.-based app-based startup Curbside, for instance, enables partner retailers to allow customers to start ahead. When the item is ready, a pickup notification is sent. Consumers can then drive to the retailer and, without ever leaving their cars, have their items brought out to them. Various food retailers are also in different stages of testing or launching curbside grocery services, including Wal-Mart, H-E-B and Kroger.<sup>19</sup>

##### *B. Returns—Issues Related to Handling*

Returns to stores and pickups from third-party networks of collection points are among the options increasingly offered to online customers. Such policies are a means of balancing the

<sup>14</sup> Millennials nearly matched the baby boomers, at 75%, while Generation X also engaged strongly in this shopping behavior, at 63%. See ChargettSpot February 2017 survey results cited in "e-Marketer U.S. Omnichannel Retail StatPack 2017."

<sup>15</sup> *Global Cross Channel Retailing Report: Entering the Omnichannel Era* (Ebelftoft Group, 2014), p. 15.

<sup>16</sup> See, for instance, Brenna O'Roarty and Alan Billingsley, *Exploring New Leasing Models in an Omni-Channel World* (New York: International Council of Shopping Centers, 2015), p. 34.

<sup>17</sup> Gemma Goldfingle, "Drapers Operations Forum: John Lewis Click-and-Collect Charge is a Success, Says Ops Boss," *Drapers*, June 14, 2016; Brittany Vonow, "Every Little Doesn't Help: Tesco Customers' Fury After Price of Click-and-Collect Goes up by £2," *The Sun* (U.K.), Mar. 17, 2017.

<sup>18</sup> *Global Cross Channel Retailing Report*; Jeff Wells, "Click and Collect is Convenient, But Can It Be Profitable?," *Food Dive*, Mar. 8, 2017.

<sup>19</sup> Courtney Reagan and Sabrina Korber, "Like It or Not, 'Click and Collect' is Here to Stay," *cnbc.com*, Jan. 13, 2016; Mike D. Smith, "Best Buy Joins Convenience Craze, Offers Same-Day Delivery in Houston," *Houston Chronicle*, Apr. 7, 2016.

consumer desire for a stress-free returns policy and retailers' needs to keep in check the expenses associated with returns.

More than three-fifths (62%) of shoppers are more likely to make an online purchase if they can return an item, according to survey results from Nextopia cited by eConsultancy. Conversely, lack of a policy permitting returns to stores irritates consumers: A 2017 study on e-commerce returns issued by the Canada Post found that "More than six in 10 [online shoppers] ... avoid purchasing apparel and shoes from merchants that do not accept free in-store returns and do not have a store nearby." Yet, with returns now comprising 30% of items transported by the "last mile," a behavior encouraged by click-and-collect—purchasing other goods on the same trip—helps offset an expense regarded as necessary but still regrettably sizable.<sup>20</sup>

## 5. Examples of Best Practice

Several retailers stand out as examples of best practice for click-and-collect. Because of its pervasive widespread use there, most of these retailers are currently in the U.K.

Survey results by Kurt Salmon, a unit of Accenture Strategy, analyzed delivery performance for online orders placed with 54 U.K. retailers. The click-and-collect option saved on average 1.6 days versus home delivery of these orders. The three top-performing retailers in the survey were Argos, Uniqlo and Marks & Spencer. For example, Argos uses Fast Track collection desks as part of their effort to offer same-day click-and-collect service. Meanwhile, Marks & Spencer has offered, since 2015, free in-store collection to more than 100 of its Simply Food outlets in motorway service stations, airports, railway stations and hospitals.<sup>21</sup>

An early U.K. adopter of click-and-collect, John Lewis, selected Clipper Logistics as its partner in a shared-use facility in Northampton in 2016. The center provides such services as distribution preparation and returns management.<sup>22</sup>

Sainsbury's has also set up a program to gauge the effectiveness of their supermarket offerings. After acquiring Argos in September 2016, the supermarket firm announced that it would take advantage of Argos' collaboration with eBay to create 200 collection points within their own stores.<sup>23</sup> In August 2017, the company launched a service enabling consumers to order groceries by the Chop Chop app and pick up the item(s) from the

supermarket's Pimlico store 30 minutes later.<sup>24</sup> (Sainsbury's is not the only retailer experimenting with ever-greater speed in pickup: at five different college campuses, including Berkeley in California, Amazon.com shoppers will be able to retrieve orders for certain items within two minutes of making their purchases.<sup>25</sup>)

The experience of U.S.-based Domino's Pizza Group in the U.K. demonstrates how the increased integration of "clicks-and-mortar" can involve not only greater deployment of mobile technology, but the continued importance of the physical store. In 2016, 72% of all the company's delivered sales in the U.K. came from online orders, with 73% of online sales ordered via mobile devices. At the same time, the company still opened 81 new stores in that nation.<sup>26</sup>

## Conclusion

Although some U.S. retailers have begun to tap the potential of click-and-collect, the practice remains unexplored by many. (As an example, 77% of American grocers still do not have such programs.<sup>27</sup>)

The European experience with click-and-collect is like a map indicating where a body of water runs most directly—and where its shoals are most dangerous. Companies that have failed to anticipate the logistical policies and procedures required to facilitate consumer use have paid the price in deteriorating customer relations and unexpected and unwelcome expenses.

As American retailers further examine European retailers' experience, however, the promise of click-and-collect is likely to be irresistible. It opens up a revenue stream right in the physical store at a time when many observers have been calling the necessity of such establishments into question. In fact, it capitalizes on a company's online presence to extend the reach and allure of the physical location.

Furthermore, click-and-collect may prove even more mutually beneficial to American retailers and their consumers than to their European counterparts. The diversity of the U.S. physical landscape is wide enough to accommodate click-and-collect's use with both automobiles and mass transit stations. Moreover, it allows retailers and their landlords to cater to consumers' desire for choice and convenience to its greatest extent since the shopping center industry came into its own in the postwar period.

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<sup>20</sup> Christopher Ratcliff, "[12 Illuminating Ecommerce Stats From January-March 2015](https://econsultancy.com/blog)," <https://econsultancy.com/blog>, Mar. 23, 2015; "E-Commerce Returns: From Costly Complication to Competitive Advantage," Canada Post, 2017, p. 9; Nadine Cino, "[E-commerce and Urban Warehousing: A Cost-Saving Opportunity in Last Mile Logistics](#)," *New York Real Estate Journal*, July 4, 2017.

<sup>21</sup> Fiona Briggs, "[Click and Collect Orders Arrive Twice as Fast as Home Delivery, Kurt Salmon Study Finds](#)," *Retail Times*, Feb. 2, 2017; "[How Does Fast Track Delivery Work?](#)" (Argos FAQ); John Waldron, "[How the Marks & Spencer Loyalty Card Upgrades In-Store Fulfillment & Personalisation](#)."

<sup>22</sup> Caroline Baldwin, "[John Lewis Pioneers Clipper's Latest Click & Collect Facility](#)," [www.essentialretail.com](http://www.essentialretail.com), May 27, 2016.

<sup>23</sup> Ben Stevens, "[Sainsbury's Launches 200 New Click and Collect Points](#)," *Retail Gazette* (U.K.), Sept. 9, 2016.

<sup>24</sup> Chloe Rigby, "[Sainsbury's Trials 30-Minute Click and Collect](#)," [www.internetretailing.net](http://www.internetretailing.net), Aug. 15, 2017.

<sup>25</sup> Darrell Etherington, "[Amazon Debuts 'Instant Pickup Points' in the U.S. for Pickups in Minutes](#)," [www.techcrunch.com](http://www.techcrunch.com), Aug. 15, 2017.

<sup>26</sup> Paul Skeldon, "[Domino's Sells £1bn of Pizza – Through Stores and Strong Mobile Growth](#)," *Internet Retailing*, Mar. 10, 2017.

<sup>27</sup> "[84th Annual Report of the Grocery Industry](#)," *Progressive Grocer*, April 2017, p. 60.

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