

## **Click & Collect**

### **Silver bullet or just a new set of problems?**

There is no doubt that e-commerce has disrupted retail and following this disruption the delivery chain is now undergoing a similar disruption. The key pain for retailers is that the customers expect timely and convenient delivery, but this is a huge challenge since home delivery means having a van + man driving around a residential area delivering one parcel at a time to customers who might not even be at home. The cost is exploding, while marketing pressure drives the shipping prices down. Today success or failure in e-commerce is highly dependent on the retailer's ability to deliver to customers at the lowest possible cost.

#### **Pure-player versus omnichannel**

The pure players of the market have an advantage in terms of less real estate and lower inventory levels since they ship from warehouses directly to customers, but the flipside of this advantage is that they are dependent on shipping and shipping alone.

The omni-channel players have an advantage in terms of local presence through their retail network and at times stronger brands. However, transforming your business from brick and mortar to omni-channel has proven to be a huge challenge, and bringing in people into the stores is a challenge.

Black Friday 2015 is a good example. Across several analysts, Adobe Digital Index, Custora, RetailNext, Shoppertrack the picture was clear. In-store sales dropped by 10% and e-commerce grew 15-30%. For pureplayers as for omni-channel players the clock is ticking, the e-commerce disruption is spreading faster, wider and deeper than anyone had imagined. We need to find a new way of delivering.

#### **Click & Collect instore**

The silver bullet for solving some of the delivery issues seems to be in-store pickup or Click & Collect, that was introduced 3-5 years back and has been widely implemented across retailers and categories. From BestBuy to TOYS"R"US from Uniqlo to Nike and this has been hugely successful. Retailers are converting large portions of shipped volumes to their own stores. Lots of parcels every time the van has to stop is the best thing that can happen for e-commerce delivery.

#### **Click & Collect in-store – How the silver bullet ends up in your own foot**

A very common idea is: "We want our customers to interact with our staff". Based on this manual handout of parcels by a store assistant is a logical way and very widespread way to handle Click & Collect. However, with the success of Click & Collect the volumes explode and customers end up having to wait in line to get their parcels. In fact, a StellaService study from 2014 shows that customers end up spending 58% of the time in store waiting for a parcel when they pick up

in store, whereas only 15% of the time is spent in the checkout when they are buying things in the store. So in fact you give your customers an unwanted experience for more than half the time they spend in your store and you lose 43% potential shopping time, where they could have interacted with your staff in a pleasant way! Click & Collect is without doubt reducing cost on the logistics side, but makes you lose business and customer experience points. Further it can easily take 5 minutes in total handling time for the store staff pr. parcel. Time that could have been spent with customers advising or selling. So, what seems to be a silver bullet ends up in your own foot.

### **Click & Collect – the silver bullet is a parcel locker service**

It is hard to imagine a supermarket where all goods had to be handed over a counter. Self-service has proven itself as a convenient way of servicing customers' routine needs. From supermarkets it has spread to other retail stores like clothing and shoes and to other categories e.g. financial and banking operations etc. etc. So the next natural step is to apply self-service to parcel delivery. The solution is already introduced in the US market with the Amazon locker etc., but it does not seem to scale yet and not every retailer has the pockets and the risk profile of Amazon.

### **Case Denmark, Dansk Supermarket Group**

In Denmark, a small country in Europe with 5 million people (possibly the happiest people in the world) something happened in 2013. Out of the blue 325 automated parcel lockers were installed throughout the retail network of leading retailer Dansk Supermarket Group. SwipBox, an independent company, established the network and opened up the network for Click & Collect from Dansk Supermarkets e-commerce division [www.Bilka.dk](http://www.Bilka.dk). Within 6 months more than half of the volumes from e-commerce were delivered to the lockers and the consumer rating went to 9.2 on a scale of 1-10 on Trustpilot, a European version of Yelp. Since then the lockers are used as a last mile solution by international couriers like DHL and Bring.

For the retailers this has meant conversion of home deliveries to supermarket deliveries with a significant cost cutting as a consequence. For the online director at Dansk Supermarket, Jørgen Klüwer, it was pretty clear: "SwipBox is probably the most powerful, most visible element of our omnichannel strategy and at the same time it was quite easy to implement." So Bilka sells their products online, have them delivered to the store by a courier, store staff spends no time at all on handling of parcels. Customers do not have to queue up for the parcels, but can spend all their time shopping.

In other words, the parcel locker service will ensure the silver bullet to be a silver bullet for everyone – and not just a new set of problems.