Agilence

BALANCING BOPIS

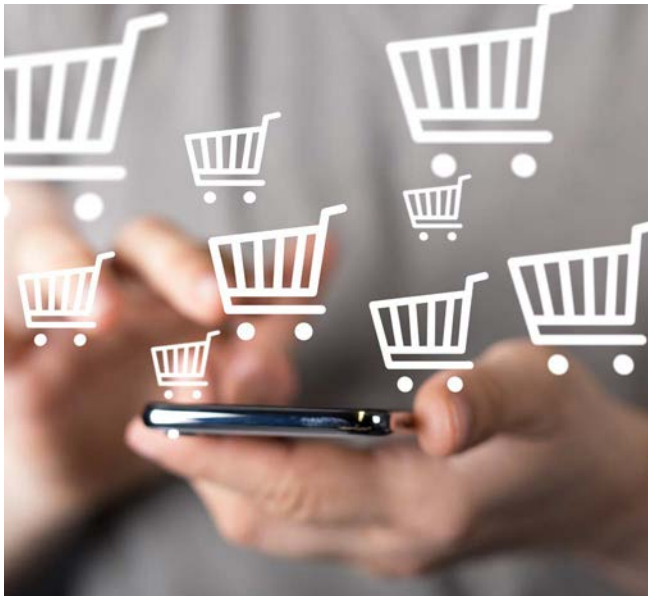
& Loss Prevention



Balancing BOPIS and Loss Prevention

Buy Online Pickup in Store (BOPIS) is becoming a must-have service for brick and mortar retailers of all sizes. Consumers now expect the convenience of online ordering combined with the ability to quickly pick-up their order (no matter how big) at a retail location that is close to their home or place of business. A study by JDA showed a 44% increase in BOPIS purchases, indicating widespread adoption by consumers.

BOPIS is a convenience for the customer and can increase sales revenue of additional items by as much as $40 per purchase. However, retailers must have the in-store infrastructure in place for purchases to be fulfilled and readily available prior to customer pickup. Enabling secure payment processing is a key part of BOPIS and ensures that the customer enjoys the experience and the retailer gets paid.



BOPIS Benefits

BOPIS has clear benefits for retailers. Stores are now mini-fulfillment centers, which can offset labor and shipment costs to the customer's home. It also reduces online cart abandonment by offering the option of immediate pickup and can lead to additional in-store sales as well as valuable face-to-face interaction with the customer.

Customers typically choose the BOPIS option to avoid paying shipping fees. They can also take advantage of immediate fulfillment without having to take time to physically shop. Millennial customers are particularly accepting of online shopping with the expectation of immediate pickup from a convenient location. The final feature is safety; avoiding porch theft through BOPIS pickup is particularly attractive.

BOPIS is a win-win for both the retailer and the customer as long as it doesn't result in additional friction in the customer purchase. Even though BOPIS adoption is increasing, customers only give retailers one chance to get it right.





BOPIS Challenges

While the BOPIS shopping alternative is now imperative, retailers need to put new processes and systems in place that represent each step of the customer's journey. Retailers are learning how to serve the BOPIS customer and deal with the inherent challenges.





The customer pickup location has undergone an evolution. Initially, some stores placed the BOPIS pickup station at the rear of the store, requiring the customer to look at additional items for sale. But this long walk negated the primary benefit of BOPIS: customer convenience. Stores are now re-thinking the pickup location, placing it near the front with appropriate signage and instructions while still offering additional items for sale.

These pick-up locations must also be scalable, allowing the store to serve low volume days and high-volume holiday times when BOPIS sales can reach their height. Having the location, storage and inventory available can be challenging while still making it appear seamless to the customer.



Labor is an inherent issue with BOPIS since online purchases picked up at the store can vary widely on any given day or week. Store management must make BOPIS fulfillment and pick-up a priority and train staff to serve both BOPIS and in-store shoppers. Excuses like "I couldn't find your order," or "The website had the wrong price," won't serve the customer who is giving BOPIS a try for the first time and will certainly test the loyalty of long-term customers.

WalMart is an innovative leader in this area, installing towers that allow customers to pick up merchandise on their schedule. While requiring an initial investment, these towers allow merchandise to be picked up on the customer's schedule without using labor to interact with each customer.

Technology is the Heart of BOPIS

BOPIS sales are technology-driven and require the retailer to have systems in place to support the sale. While big retailers like WalMart and Kroger have BOPIS in place, smaller retailers can also provide the BOPIS service – as long as they have an eCommerce system in place. Technology can level the playing field between big and small players and allow service to be a differentiator.

A flexible POS system is also vital. The POS system will allow online sales to be recorded. Inventory visibility is also paramount. There's no use allowing a customer to order items if they aren't readily available for purchase and pickup. This requires the retailer to have inventory systems that show real-time availability at all locations to ensure a streamlined customer experience.

Some stores have gone as far as having mobile devices available to store employees responsible for BOPIS fulfillment. This allows them to quickly identify, pull, and pack orders for pickup. Devices can be especially valuable during the busy holiday season when store labor can least afford to run through the store checking on availability of every BOPIS purchase.



Secure Payment is Paramount

BOPIS represents a convenient shopping experience for the customer. Unfortunately, the percentage of fraudulent purchases is above average with retailers indicating a loss of 3%-5% with some losses as high as 10% or more. Retailers lose the sale, and the goods, and may not be informed of the fraudulent transaction for 30-45 days – far beyond the time they could do anything about it.



Common fraudulent purchase activity can occur when online transactions involve:

- **Use of a "guest" ID.**
- **Use of a fraudulent ID of the person picking up the item. (ex: fake driver's license)**
- **Use of a stolen credit card.**
- **No shipping address. (since it is an in-store pickup)**
- **Limited online shopping behavior. (immediate purchase without spending time searching reviews or comparing prices)**
- **Purchase of high-ticket items.**
- **Employees who enter several pickup ID's, the same credit card, for pickup at multiple store locations.**
- **"Synthetic ID's" – a combination of multiple shoppers' emails, addresses, and phone numbers.**

Robust payment verification systems are needed to combat this level of sophisticated fraud, but can require significant investment to purchase, implement and manage these payment systems.

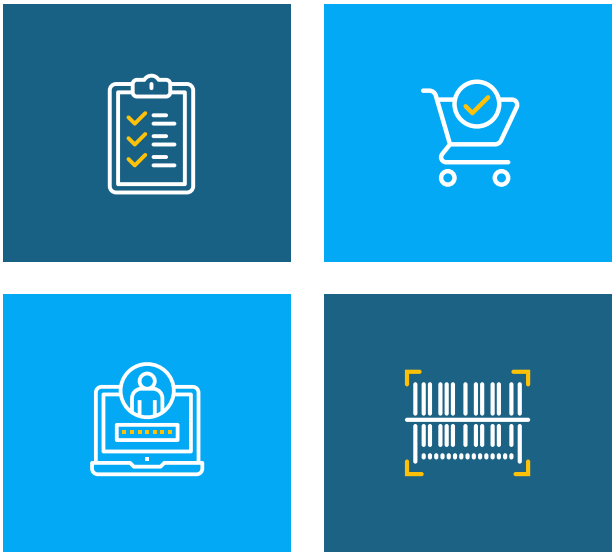
Existing policies and procedures may also affect inventory levels and result in additional loss. If a BOPIS customer returns an item online, the store needs processes in place to insure that the return process is convenient for the customer. In addition, the return must be properly entered to adjust inventory levels, being certain that the return complied with store policies.

Verification Without Obstruction

One of the key elements to cracking BOPIS fraud surrounds the operational processes you have surrounding your BOPIS pick-up. The challenge for retailers is to improve verification processes to protect their profits, but not to the point that it creates a bottle neck and customers are driven away.

Some retailers have turned to “locker” systems that eliminate the store associate from the verification process. For example, a retailer may place the merchandise in lockers and customers are then sent a pick-up notification with a barcode. When the customer shows up, all that is required is holding their phone displaying the barcode in front of the screen on the locker.

Whether the verification is being done manually via an associate or through a technology, it’s imperative that the LP Department has the ability to track potential cases of fraud or operational shortcomings, so they can be on the lookout for associate training opportunities or ORC trends that are specifically targeting the BOPIS experience.





How Agilence Can Help



Agilence's data analytics platform is the fraud solution that helps lower the risk of loss. We help retailers reduce the risk of fraud, so they can better serve legitimate customers and maximize every customer engagement.

Our solution helps retailers to:

- **Compare IP addresses and credit cards.** Our software allows users to identify instances where more than one credit card was used for purchases from the sample device.
- **Evaluate BOPIS Purchase Volume.** Agilence allows retailers to compare store data to peer store data to identify high-volume outliers.
- **Isolate Employee Theft.** Agilence identifies BOPIS online orders with the same address as an employee, allowing for further investigation.
- **Track Return Compliance.** Identify compliance with return policy to ensure that returns are processed correctly through an app and not through a POS system. Agilence identifies instances of incorrectly returned items that resulted in duplicate returns.

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