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# PUTTING STORES BACK TO WORK

How Ship from Store provides  
retailers and brands with a  
competitive advantage

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## PUTTING STORES BACK TO WORK

This whitepaper focuses on 'Ship from Store', a fulfilment process that is increasing in popularity amongst retailers and brands using stores to fulfil orders. Orders can come from any channel, enabling retailers to provide a fully omnichannel process that appeals to consumer demands for multiple delivery and pick-up options. Utilising a Ship from Store delivery strategy provides competitive advantages for retailers and brands.

### The need for innovation

The retail market is in a state of flux with store closures on both sides of the Atlantic reaching record levels over the past year. The 'retail apocalypse' is affecting many long-established brick and mortar outlets that cannot withstand the pressure of rising rent and rates and changes in consumer behaviour, including migration to online channels.

The message is stark – the majority of legacy store estates have unsustainable cost bases and they must diversify and find new solutions that match the consumer's desire for omnichannel shopping and delivery if they are to survive.

It would be understandable if retailers and brands were to consider the closure of all their physical stores, but it's less the stores themselves that are the issue, and more the way that they are being used.

Retailers and brands are important to consumers and physical stores help to reinforce the connection between the customer and the brand, providing a marketing touchpoint that is harder to replicate online. Consumers still primarily shop in-store. They like to browse and physically touch products even if they then arrange to have their goods delivered later, or complete the purchase online. Equally, a shopper could purchase online and opt to pick up in-store. The lines between digital and physical retail are blurred and what resonates with the consumer is the cost, experience and convenience.

This is particularly true when it comes to delivery. According to research MetaPack carried out amongst online shoppers a growing number of shoppers favour non-standard options, so while home delivery retains a strong appeal for 88% of consumers, 50% now collect purchases in-store, and if it is more convenient for them, 70% fully expect to pay extra for one-hour, same day/next day or Sunday delivery.<sup>1</sup> This is why retailers need to be looking at new models that combine both convenience and the in-store experience, which is where Ship from Store comes in.

This hunger for fast delivery and the importance for retailers of meeting delivery promises creates complexity, but it also delivers opportunity for them to better utilise their physical store networks, particularly as they are close to where the consumers are.

### The case for Ship from Store

The model of a single, large stock warehouse outside the major conurbations is becoming dated. Today's fast-moving commerce environment demands speed, agility and flexibility. This is where the retail store network can step into the gap and fulfil deliveries.

The Ship from Store model allows retailers and brands to support and enhance often stretched warehouse logistics, and it underpins the retailer's capability to offer guaranteed rapid delivery services while allowing them to utilise in-store stock more efficiently.

In this scenario, blurred digital/physical lines merge into one as store stock is used to fulfil not only online orders, but out-of-stock requests from nearby stores, and the later delivery of goods purchased in store. By populating the distribution network and stores become mini warehouses, retailers can increase the items that they ship, improve stock dispersion and availability and provide a broader choice of delivery options.

Given that 65% of online consumers in the US want retailers to offer one-hour deliveries in metropolitan areas, and 45% of EU shoppers are likely to use a one-hour delivery option if it was available,<sup>2</sup> there is an overwhelming case for accomplishing this by adopting a hyper-local approach. Where single stock, out-of-town warehouses will struggle to turn around a one-hour request, urban-based stores are uniquely well positioned, and, being close, will be flexible enough to deliver to multiple nearby locations from Pick Up Drop Off (PUDO) points, offices and homes through to click and collect in-store.

According to the Kurt Salmon report 'Why Ship from Store?', online sales at American Apparel have increased by 30% since they started using their stores as backup fulfilment centres. Nordstrom attributes a 39% online sales bump to efforts to integrate its online and in-store inventories.

<sup>1</sup> MetaPack 2018 State of eCommerce Delivery Consumer Research Report

<sup>2</sup> Ibid.

### INCREASED CONVERSION

Consumers today are impatient. If what they want isn't in store they are likely to visit a competitor store, rather than wait for the store to have more stock. The same is true online, shopping basket abandonment increases if the stock is not available.

Ship from Store solves this problem by utilising stores close to customers. It works particularly well in locations where warehouses are located far away from stores, such as in parts of the US and in some countries in Europe, like Sweden.

Consider too the environmental benefits. 41% of US consumers care a great deal about the impact upon the environment of their online shopping deliveries, and a massive 92% of EU shoppers who selected 'concern for the environment' as a reason for preferring a consolidated delivery, believe it could have a positive impact on improving air pollution and congestion.<sup>3</sup> So by emphasising the reduction in carbon emissions facilitated by Ship from Store, retailers and brands are also able to boost their increasingly important green credentials.

### IMPROVED INVENTORY OPTIMISATION

Managing stock or inventory well is vital in retail, but it's a constant challenge to match availability with demand meaning that most retailers have items sitting on their shelves for too long. In a physical environment this can simply be down to goods not being visible to customers browsing in store, but by operating a Ship from Store model, that item can be picked to fulfil an online order, which effectively exposes it to a much bigger audience and potentially to a faster sale.

Utilising inventory in this way reduces the number of mark downs that retailers feel they have to make on products, and enhances stock coverage, particularly amongst stores that are located in close proximity to each other and can easily and quickly fulfil customer orders.

### LOWER SHIPPING COSTS

The cost for retailers and brands to transport goods locally is lower which means that they can pass on these savings to consumers. Hyper-local deliveries represent considerable savings for the retailer, and convenience for the customer who, because of the close proximity of stores will receive their goods more quickly. Increasing Ship from Store operations also reduces costs in warehouses and removes the necessity to transfer stock from stores to warehouses before sending to other stores or to the consumer.

In 'Why Every Online Retailer Should "Ship-from-Store"' Forrester found that when online stores are able to sell both store and online inventory, a profound uplift in online revenue in the region of 10% to 30% can be achieved.

<sup>3</sup> Ibid.

## Who stands to gain?

There are three distinct retail groups that are most likely to benefit from adopting the Ship from Store model:

**High end luxury retailers with stores** – Typically these will stock high value ticket items that tend to linger on shelves. It is currently necessary to maintain a level of stock in the warehouse, however by using a Ship from Store operation, orders could be fulfilled from either, or both, options.

**Retailers with a big store network** – If a retailer already has hundreds, or thousands, of outlets they are well placed to support each other through Ship from Store, more quickly and possibly more efficiently than through traditional ordering from a warehouse.

**Brands with stores** – Some brands already operate retail outlets, though usually in much smaller numbers than retailers. To boost sales, they currently use resellers. By adopting Ship from Store, orders could be fulfilled more easily, a broader range of delivery options could be offered, and brands could gain market-share by reducing the number of third parties they use to sell their goods.

## How can MetaPack help?

MetaPack's Ship from Store solution, which is part of MetaPack Delivery Manager, is already providing retailers and brands with the mechanisms to adopt this new model as part of their delivery offer.

We don't underestimate the challenges involved in reconfiguring part of the physical store to create a mini-warehouse and are able to guide retailers in how best to achieve this. We are also fully aware of the complexities of liaising with carrier services so that instead of just receiving goods from them, retailers are equipped to pack, label print and despatch items for carriers to deliver.

The MetaPack solution is supporting retailers' delivery promises. It works with retailer's own WMS and OMS solutions to give them the single view of inventory and the technology they need to dynamically route orders regardless of the sales channel. Delivery Manager can be adapted to ensure retailers and brands have full visibility between stores and are able to attribute revenue and costs internally. MetaPack can also help retailers to consider carrier contracting in order to increase the service offering and the geographies that are covered.

## A final word

In the convergence of the online and offline worlds, retailers and brands must innovate in order to succeed. Amazon, the benchmark by which marketplaces and both pure-play and traditional retailers compare themselves, has moved the goalposts by opening physical stores. Alibaba is increasing its chain of physical HEMA stores in China, so that they can attend consumers' demands in 30 minutes or less. In the almighty battle to win the hearts, and wallets, of today's astute omnichannel consumers, retailers must fight back and their physical footprint, instead of being a burden, can be transformed into a key differentiator.

We know that delivery has the power to make or break the online shopping experience, but consumers want convenience at every touchpoint. This means that if they are shopping online or in-store they can have the product they want, when they want it, at a location that suits them best. The more able a retailer is to meet this demand, the greater the customer loyalty.

Investing in Ship from Store now puts physical retailers and brands back in the driving seat, allowing them to deliver a scalable, maintainable solution so they can compete with the likes of Amazon, reduce their outgoings and fully maximise the value generated by stock within their stores. With expectations that 25% of US malls will close by 2022<sup>4</sup> and a 18.4% drop in UK stores in 2018<sup>5</sup> there is no doubt that retailers and brands are operating in a highly challenging environment, but those that can find the sweet spot between managing the cost to serve and meeting customer's exacting expectations will not just survive, they will thrive. Ship from store is a solid step in that direction.

<sup>4</sup> Credit Suisse, Apparel Retail & Brands

<sup>5</sup> Center for Retail Research, Retail At Bay

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