Click and collect booms in Europe

Deloitte predicts that the number of click and collect locations in Europe will reach half a million in 2015, a twenty percent increase on the previous year. Click and collect, whereby online orders are picked up from a physical location rather than delivered to the purchaser’s home, is likely to become an increasingly fundamental part of the e-commerce offer and should help maintain its growing share of retail spend. Rising e-commerce revenues should have a commensurate impact on Internet advertising revenues, as well as driving website creation and increasing bandwidth usage.

The appeal of e-commerce is well documented, and volumes continue to rise two decades on from the launch of the first Web shopping sites. About half the people in Europe currently shop online, and annual spend is continuing to rise at double-digit rates in some markets. The key friction point in e-commerce has been delivery. Every year, online orders trigger billions of individual deliveries in Europe alone. Delivery timings on most products bought online to be approximate so as to keep costs affordable, and recipients are not always home to receive the goods. There are workarounds to the distribution challenge: parcels can be left with doormen or porters; they can be re-routed to neighbors, assuming they’re in; packaging can even be re-designed to fit through letter boxes.

But these options are not always available. And the consequence is that recipients may have to travel to neighbors, assuming they’re in; packaging can even be designed to fit through letter boxes.

There are three main types of location that consumers can collect their purchases from: in-store (including, for larger venues, the parking lot), at a third-party location (such as a post office or a train station), or at a locker (often located on a commuter route). In 2015 we expect that, of the 500,000 pick-up locations: about two-thirds will be individual lockers, some of which will be in clusters of hundreds; just over a quarter will be third-party locations; and the remainder (about 37,000) will be stores. Third-party locations will be a blend of mixed-use sites, such as post offices offering an additional collection service, and dedicated sites, including changing rooms.

In Europe, the UK is currently the most mature e-commerce market, with 13 percent of all retail revenues from online in 2015, of which about a third will be click and collect. Revenues from click and collect more than doubled in the UK between 2012 and 2014, reaching $8.7 billion from 140 million orders. As of Q4 2014, about 95 percent of those online stated they planned to use click and collect for some of their holiday shopping.

We expect e-commerce share of retail to grow in most other European markets, and click and collect to become an increasingly common offer.

Click and collect’s impact is likely to vary by retail segment, with non-grocery representing the majority of sales. In the UK in 2013, non-grocery was estimated at 95 percent of sales. For some major non-grocery retail chains, click-and-collect already represents close to half of online orders.

For retailers, the ideal outcome from offering click and collect would be to increase the propensity to purchase from the website and, additionally, in-store when the customer is picking up his or her package. Click and collect may be driving aggregate online spend, by offering greater convenience. In the UK, click and collect’s share of all e-commerce has risen steadily over the past three years, along with a rise in e-commerce’s share of all retail spend.

Click and collect won’t be limited to bricks and mortar stores. Online-only retailers will also partake, sometimes using third-party outlets and lockers to deliver goods and sometimes using retail stores. For example goods purchased on eBay can be picked up at 650 stores of UK retailer Argos.
In most markets click and collect stores are outnumbered by both third-party collection sites and lockers. If a customer uses either of these alternatives, this removes the opportunity for incremental sales, as well possibly diluting the brand impact.
Click and collect is an established feature of the retail market. As of 2015, the proportion of retailers offering click and collect in Europe will vary markedly by country, but we would expect that most markets should see significant increases in the number of merchants offering this facility.

At first glance, click and collect may seem a win-win for retailers and customers alike. Consumers are offered additional convenience, hopefully encouraging them to spend more; retailers avoid the cost of delivery to the home, and can utilize existing space.

But every element of delivery incurs a cost: every square meter of space used for storage displaces space that could be used for display, and any staff member processing a collection is unable to assist other customers. It should only require one trip to visit to a locker, but a retailer may have to pay a rental cost for this.

Making purchasing more convenient for customers may also make it easier to return goods – unwanted items, when seen ‘in the flesh’, can easily be returned at the point of sale. This could stimulate ‘buy-to-try’ sales, leading to over-stocking of baskets, causing a surge in the volume of returns. Retailers need to monitor carefully the costs of offering click and collect, and in some cases may need to remove the offer.

Retailers should consider how best to structure accounting for click and collect returns. If sales are made by the online team and returns are debited against the store, this could lead to distorted sales and profitability assessments for certain stores. Further, landlords charging rents based on in-store turnover may see reduced rents in busy locations with a high volume of collections. Sales teams remunerated on sales volumes may also lose out due to returns, if these are debited against the retail outlet.

Grocery retailers should monitor the constituents of click and collect baskets carefully. A sub-optimal outcome would be if customers were to choose free delivery locker of bulky but low-cost goods (such as multi-packs of kitchen roll) to a third-party and then wait several days before picking up their goods. Retailers offering click and collect for groceries should be aware of regulations concerning storage of perishable goods.

The best approach to distributing click and collect orders will vary by retailer. Some could receive goods from a central warehouse, and the local store would simply serve as a collection point. Others, for example fashion outlets, could use shop floor staff to handle collection and packing during quiet times, such as mid-week, in anticipation of collection at the weekend.

Retailers should consider whether to charge for click and collect deliveries, and also for returns. There are costs associated with both which, if not charged for, will reduce margin. Retailers may also need to vary the click and collect offer on a periodical basis. Free collection the day after ordering may be restricted to quiet shopping periods; but during sales, and at events like Christmas or Black Friday, the collection period may need to be extended.

Retailers can also shape collection behaviors, for example by using automated systems to advise customers via e-mail or apps when goods have arrived or by using vouchers to encourage prompt collection during off-peak times.

NFC-enabled phones, linked to consumers’ credit card details, may be used in the collection or return process. By generating a unique transaction code, NFC-enabled phones can be used as a proof of identity replacement.

The legal implications of click and collect should also be considered. For example there are trials to deliver to people’s cars. This is fine if the car trunks are secure, otherwise delivery companies may be blamed for any missing goods.