internetRETAILER®

portal to e-commerce intelligence

2016 OMNICHANNEL
WINNERS of the Top 500

HOW THE TOP RETAIL CHAINS TURN **OMNICHANNEL** STRATEGIES INTO SALES

Introduction

There is growing evidence that consumers like to shop across multiple channels, and the ones that do drive the biggest profits for retailers.

Nearly all of the largest retail chains in the U.S. are taking notice—throwing time and money into so-called omnichannel technologies and strategies that more closely link their stores with the web.

At the same time, originally web-only retailers such as Blue Nile and Warby Parker are expanding into bricks-and-mortar, seeking the optimal balance between online and offline sales.

But there are significant costs and challenges associated with linking back-end inventory management systems to enable order-taking from stores, websites and mobile apps. Plus, some merchants do it better than others.

As Amazon's dominance grows and foot traffic declines in stores across the country, in many ways store-based retailers' very survival depends on how quickly and effectively they can adapt to ever-growing consumer demands.

Learn which retail chains and web-only players are adopting the most successful omnichannel strategies, and how they're driving sales growth as a result.

Top 10 Omnichannel Services Offered by Leading Chain Retailers

1. Buy online, return to store
2. Store locator
3. Barcodes on products
4. Directions to store
5. Buy online, pick up in store
6. In-store stock counts
7. Geofencing
8. Ship from store
9. Online price matching
10. Reserve online, pick up in store

Source: Internet Retailer secret shopping test, March 2016. Geofencing technology identifies shoppers when they arrive in a store's parking lot or store.

CONTENTS

RETAIL CHAINS PICK UP THE
OMNICHANNEL PACE

Some of the largest retail chains in the U.S., such as Wal-Mart, Macy's, Nordstrom and Target are committed to an omnichannel strategy and they can point to sales growth. Will profits follow?

BY BILL BRIGGS

Omnichannel is the latest buzzword in retail strategy. The term refers to retailers that operate bricks-and-mortar stores also serving consumers effectively when they shop online via personal computers and mobile devices. The key is to have a unified view of how each consumer shops and of the inventory available throughout the company so that a retailer can serve a customer however, wherever and whenever she chooses to shop.

Some of the largest retail chains in the U.S., such as Wal-Mart Inc., Macy's Inc., Nordstrom Inc. and Target Corp. are committed to an omnichannel strategy, though some avoid the term

"omnichannel." Whatever they call it, there is plenty of evidence that consumers like to shop across channels, for example, picking up an online order in a store. But there are also significant costs in enabling order-taking from any direction, managing inventory, fulfilling orders from distribution centers and stores—among other challenges. Omni-challenging, at minimum, because omnichannel isn't just a retail strategy, it's about survival.

One thing is certain: shoppers want nimble retailers to fill orders and deliver them promptly. Proof of that are the estimated 41 million U.S consumer households—38% of all households—that pay $99 a year for Amazon Inc.'s Prime program, which guarantees free two-day shipping on most items sold directly by the retailing juggernaut or those of other retailers whose products qualify by virtue of being clients of Fulfillment by Amazon services. Amazon is also expanding its Prime Same-Day delivery service, available in 27 U.S. markets as of mid-April, as it chips away at what have been two prime advantages of physical stores: Consumers don't have to pay for shipping and they can get items right away. Increasingly, Amazon can do that, without a nationwide network of stores.

Competing with Amazon is driving large retail chains to offer omnichannel services that Amazon can't yet offer, such as accepting

> 'Customers that shop with us in multiple channels spend three to four times more than a customer that shops in one channel.'
> **Michael Koppel, chief financial officer, Nordstrom**

returns in stores. And as the store-based retailers more effectively tie their physical locations with the web, several web-only retailers—including Amazon—are starting to open bricks-and-mortar stores.

With consumers routinely researching discretionary purchases online before they shop, whether in stores or via the web, retail chains have little choice but to meld their stores, web and mobile assets. Is this omnichannel strategy attracting new shoppers, improving sales and driving profits? Some of the fullest answers have come from large retail chains that are public companies and thus obliged to provide details on their progress toward proving the value of what can be massive investments.

Nordstrom's take on omnichannel

For Nordstrom Inc., a long-term commitment to blending

e-commerce and stores was part of a plan dating to 2006 when it began merging online and store inventory. For the last several years, web sales accounted for a growing percentage of overall sales. Nordstrom, No. 18 in the Internet Retailer 2016 Top 500 Guide, reported online sales of $2.832 billion in 2015, up 20.2% from $2.356 billion in 2014. Online accounted for 19.6% of overall sales in 2015, compared to 17.4% a year earlier and only 8% in 2010.

Customers continued to show strong interest in its off-price online stores NordstromRack.com and HauteLook. Nordstrom did a combined $532 million in online sales through those two sites, up 47.8% from $360 million in 2014. Sales on flagship site Nordstrom.com site surpassed $2 billion for the first time in 2015, reaching $2.30 billion, up 15.0% from $2.00 billion a year earlier.

Bumping up 2015 web sales included free shipping incentives and in-store pickup of online orders among other enticements, Nordstrom says, but such programs ate into profits, which fell 17% to $600 million. Fiscal 2015 expenses increased 10%. The company said in April it would reduce staff, mostly corporate, by up to 400 in the second quarter to cut expenses by $60 million in 2016.

But the merchant keeps rolling out omnichannel services. In 2014 it enabled web shoppers to return products bought from any of its websites to Nordstrom Rack stores, along with to its flagship stores. Omnichannel initiatives in 2015 included letting shoppers text product requests to a store associate who searches for options and uses text messaging to share results with the shopper, and piloting curbside pickup at 20 stores. The customer calls or texts a Nordstrom phone number when ready to pick up a web purchase and a store employee will bring it to the customer at a parking area reserved for such pick-ups.

Nordstrom's investments to upgrade its e-commerce presence have been growing 35% per year over the past five years, chief financial officer Michael Koppel told analysts on the company's year-end earnings call in February 2016. The company says that rate of investment will slow in 2016, and the money Nordstrom does invest will be more focused.

"In technology, we are planning productivity improvements by focusing on fewer, more meaningful projects, such as a scalable

Bed Bath & Beyond enables shoppers to reserve products online and pick up purchases in stores.

INTERNET RETAILER

merchandising solution that supports seamless integration across multiple channels," Koppel said. "In fulfillment, we are assessing ways to improve efficiencies around delivering product to customers, which is expected to generate lower shipping costs. We are also refining our online assortments with a focus on unit profitability."

Customers spend more

Nordstrom plans to stay the omnichannel course, Koppel told analysts at a March conference hosted by investment firm UBS. Nordstrom expects online sales to make up 30% of its business by 2020 and the costs of its omnichannel strategy are mitigated in one key respect. "Everything we've talked about, and we've been talking about this for over a decade, we've said customers that shop with us in multiple channels spend three to four times more than a customer that shops in one channel," Koppel said.

> 'There's a misperception that digital growth comes at a lower margin.'
> **Karen Hoguet, chief financial officer, Macy's**

While Nordstrom's capital investments in technology supporting its omnichannel strategy will moderate, the need will continue, Koppel said, because "you can see how the fundamental way in which we're running our business, engaging with customers and investing capital has changed dramatically."

Koppel noted that in the past for Nordstrom, retailing "was a high fixed-cost model, with mall-based stores, and whenever you grew sales you got a lot of leverage. And the e-commerce model is a high variable-cost model so whenever you grow you keep adding cost, based on the way we know it today." In other words, once established, store costs flatten over time and sales grow, while online growth continues to draw technology and marketing resources, and it requires the retailer to absorb the expense of shipping most online orders to shoppers' homes. Those shipping costs are a bigger expense for Nordstrom than most of its rivals as it is among the few major retailers that offers free shipping on almost all items, with no minimum purchase required.
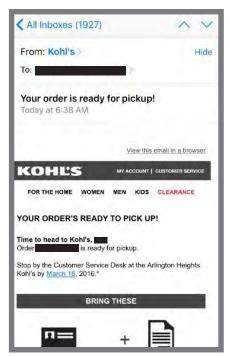
59%
Of consumers rated their experience with returning an item bought online to a store as 'good,' and said they would likely do it again.

Source: Internet Retailer consumer survey, March 2016

While Koppel says higher expenses associated with online orders,

The Kohl's mobile app alerts customers when their online orders are ready for pick up in a store.

such as fulfillment and delivery, means web sales yield lower profits, other chain retailers, like Macy's, disagree.

"There's a misperception that digital growth comes at a lower margin," chief financial officer Karen Hoguet told analysts on the company's fourth quarter earnings call. "That's not really the case." She said Macy's fulfills online orders in a variety of ways, including from stores and warehouses, and by allowing customers to pick up web orders in stores. "But that is not a negative drag on our margins as we go forward. We love digital growth." Macy's curtails its fulfillment costs by requiring a $99 purchase to get free shipping, and also promotes in-store pick-up on its website.

Macy's did not break out 2015 web sales but CEO Terry Lundgren said fiscal 2015 was "another year of double-digit growth in our online business, fueled by exceptional increases in mobile traffic and increased conversions," with new offerings to come in 2016 from Macys.com and sister site Bloomingdales.com. Mobile in particular "is a major priority for the company," Hoguet told analysts, according to a transcript from Seeking Alpha. "Sales on mobile devices more than doubled in 2015, fueled by large increases in both traffic and conversion. It is the fastest-growing digital channel," she said.

Internet Retailer estimates that Macy's, ranked No. 6 in the 2016 Top 500 Guide, brought in 2015 online sales of $6.21 billion, up 15.0% from $5.40 billion in 2014.

Hard to track

The company in recent years stopped breaking out web sales, saying that its growing pool of omnichannel customers regularly move back and forth between stores and online, making it difficult to allocate credit for a sale to a single channel.

In keeping with that shopping behavior, the largest growth in investment in 2016 will be in digital initiatives and better serving consumers who shop both online and in stores, Hoguet said. "There's a lot of investment being made in digital growth, which, by the way, is not all digital sales," she said. "Part of that is omnichannel investments, so the customers can easily go back and forth between stores and the Internet."

Those investments will include improving Macy's mobile commerce site and mobile app, such as by adding additional navigational filters so mobile shoppers can more easily find what they need, Hoguet said. Macy's is considering ways to provide more information to mobile shoppers, such as product reviews and natural language search, she said, which is technology designed to grasp a consumer's intent when she types in a search query.

Despite e-commerce growth, total sales for Macy's declined 5.3%

Omnichannel fulfillment:
It's not just for the Top 500 retailers

SoccerPro, a mid-sized e-commerce retailer that sells soccer gear and apparel, was facing a dilemma in early 2014. The already-growing company wanted to capitalize on an expected boost in sales resulting from the upcoming 2014 World Cup games. But it had outgrown its legacy e-commerce platform, which was proving unable to handle SoccerPro's increasing customer traffic. The company needed a more versatile e-commerce platform to help manage its fulfillment process—and needed it fast.

SoccerPro's challenge wasn't exactly unique. Many retailers have predicted an upcoming surge in customer traffic, and at the same time realized that the technology they currently have in place won't give them the inventory visibility they need across the enterprise to stand up to demand.

"This is one of the biggest challenges retailers face today," says Manish Chowdhary, founder and CEO of GoECart, a cloud based unified e-commerce platform for small- to mid-sized retailers. Traditionally, warehouse management systems handled inventory in the distribution centers, retail merchandising systems handled inventory on the shelves in stores, and enterprise resource planning systems managed the inventory in the supply chain.

"For retailers wanting omnichannel fulfillment capabilities, breaking down these three different silos becomes very difficult," Chowdhary says. Unless the retailers truly implement a best-in-class order management system that acts as glue for all three systems and provides real-time visibility of inventory and fulfillment logic, he adds, retailers are going to struggle to successfully implement omnichannel strategies.

Chowdhary says these strategies are critical to the success of small- and mid-market retailers for two reasons: customer expectations and the bottom line. "If you do not offer these omnichannel services and

functionality, the customer will quickly move on to someone else who does," he explains. "Retailers that have successfully implemented omnichannel strategies can produce about 30% more revenues through their e-business initiatives. And every retailer wants to do that."

That's just what SoccerPro was hoping to do when it partnered with GoECart to swap out its legacy platform for a new one. With GoECart360, SoccerPro was able to quickly implement a multibrand, multisite cloud-based platform—eliminating all of its inventory inconsistencies and reporting limitations.

Since transitioning to the new platform, SoccerPro says its year-over-year revenue has grown by 25%, its international revenue has increased by 24%, mobile revenue is up 84%, website conversion rates have jumped 6%, average order value has increased by 8%, organic search engine optimization traffic has grown by 62%, and data entry and fulfillment errors have fallen by 20%.

"[The platform] enables us to exceed our customers' expectations across every channel from the very first interaction to fulfillment and everything in between," says Tony Marrero, director at SoccerPro. "This drives growth and profitability, and the results speak for themselves."

Chowdhary says there is a strong misconception among small and mid-market retailers that this level of technology is only available to large enterprise businesses. But he hopes to debunk that myth.

"Our cloud-based unified commerce platform is a very robust and affordable system that can be deployed very easily for mid-market and growing retailers to execute on omnichannel today—without a seven-figure budget," he says. "Every retailer should be thinking about omnichannel within the channels that they operate as well as any additional channels that they can quickly expand into. The technology is available today to make that happen."

Who says you can't have it ALL?

All of the features. All of the channels. Zero integration hassles. All without breaking the bank!

Unified Commerce has never looked so good and so easy:

- Ecommerce Platform
- Order Management
- In-Store POS
- Mobile
- Marketplaces Integration
- CRM & Call Center
- Inventory Management
- Warehouse & Fulfillment

HOW TO WIN BIG IN 2016

Get the guide at **bit.ly/WinBig16**

www.GoECart.com   (877) 243-3612

during its fiscal fourth quarter and 3.7% for the 12-month period. Net income was down by 29.9%, to $1.070 billion from $1.526 billion.

The company closed 40 stores last year and opened 26 new ones.

Hoguet said Macy's anticipates progress in the coming year from several initiatives launched in 2015. Apart from digital projects, they include a new focus on upscale jewelry, the launch of its Backstage off-price stores, a "top door" strategy designed to drive traffic to its 150 strongest bricks-and-mortar locations, and the acquisition of cosmetics retailer Bluemercury. However, Hoguet projected that total sales for Macy's would decline 2% in fiscal 2016 and comp-store sales, including e-commerce, would fall 1%.

E-commerce sales also increased for Wal-Mart (No. 4) in fiscal 2016, but growth has slowed. It continues to pursue omnichannel, what it terms a "seamless shopping experience" for consumers, as it spends freely to improve e-commerce. In late 2015 CEO Doug McMillon told Wal-Mart's annual investor's day meeting that the company would spend $900 million in improvements to Walmart.com and its global e-commerce business in 2016 and $1.1 billion in 2017. Over the past three years Wal-Mart has invested $2.7 billion in improvements to its e-commerce business, including $700 million in 2015.

Despite those cash outlays, including opening three online distribution centers, web sales grew by only 12% in fiscal 2016, ended Jan. 29. Wal-Mart does not break out web sales in dollars. That growth rate lagged the 22% growth during fiscal 2015 and a 30% increase in fiscal 2014. Net income in fiscal 2016 was $14.69 billion, down 10.2% from $16.36 billion. On the company's Q4 earnings call,

Serving up omnichannel services
Key services offered by 30 top retail chains

Service	Count
Buy online, return to store	30
Store locator	28
Barcodes on products	25
Directions to store	23
Buy online, pick up in store	22
In-store stock counts	19
Geofencing	17
Ship from store	17
Online price matching	13
Reserve online, pick up in store	13
Mobile devices for store associates	12
Beacons	11
Registry on mobile app	9
Location-based offers	8
In-store kiosks	6
In-store mobile promotions	3
Wayfinding	3

Source: Internet Retailer secret shopping test, March 2016. Geofencing technology identifies shoppers when they arrive in a store's parking lot or store; Beacons enable retailers to send offers to store shoppers by text message, based on where they are in a store; Wayfinding enables app-based directions to specific areas within a store.

'Our new platform was powering the front- and back-end shopping experience for the first time during the holiday. Customers could order gifts even closer to Christmas this year, and they saw our best on-time delivery rates ever, thanks to our new fulfillment centers.'
Neil Ashe, president and CEO, global e-commerce, Wal-Mart

McMillon said economic weakness in China and Brazil and the online competitive landscape in the United Kingdom posed e-commerce challenges for Wal-Mart last year.

But with the retailer set to spend $1.1 billion this fiscal year on e-commerce, some analysts wonder about results. "Their eyes were very big, and you can't necessarily blame them for Brazil or the U.K. or China, but they weren't careful and conservative in their view of what e-commerce was going to do," says Meredith Adler, an analyst with Barclays Plc. She says Wal-Mart isn't currently making a profit online and hasn't indicated when it will.

Still, progress was made, as customers could pick up their online orders during the 2015 holidays the same day in stores, Neil Ashe, president and CEO of Wal-Mart's global e-commerce, told analysts, and the company logged almost a 40% increase in in-store pickup during the holidays.

"Our new platform was powering the front- and back-end shopping experience for the first time during the holiday. Customers could order gifts even closer to Christmas this year, and they saw our best on-time delivery rates ever, thanks to our new fulfillment centers," Ashe said. And purchases on mobile devices on Thanksgiving doubled from last year and accounted for more than half of online sales, he said.

Demise of online-only merchants?

Retailers use cross-channel services to drive online shoppers into stores, where many believe they are more likely to make impulse purchases than they are on websites. In fact, that's led some analysts to conclude that retail success will require a blend of stores and e-commerce. In its bluntly titled January 2016 report "Death of Pureplay Retail," marketing research firm L2 Inc. makes a case for omnichannel as the only strategy worth pursuing.

L2 argues that web-only retailers need stores to drive profitability and singles out Bonobos Inc. and Warby Parker as models of what it terms "evolved pureplay" retailers. The definition applies to those merchants that started out as online-only companies but have since added stores or at least tested pop-up stores or showrooms where

consumers can see, feel and try on products and then place orders from online inventory for home delivery.

Of 19 companies in the report, including Birchbox (No. 202), Blank Label and Harry's Grooming (No. 403), 13 are venture capital-backed and two-thirds of those raised funds "with the explicit purpose of building stores," the report's authors write. E-retailers "with a terrestrial presence enjoy greater organic site traffic and lower customer acquisition costs via paid search and email. Since opening 'guideshops' in major cities including New York, San Francisco and Boston, men's retailer Bonobos cut digital marketing spend from 25% to 4% of net sales—while leading the industry in organic site traffic and maintaining online conversion rates of 5%," according to the report.

L2 also suggests that retailers that open stores stand to gain financially by virtue of processing returns at a lower cost than online-only merchants. The argument: web-only retailer orders "typically net 77 cents on the dollar (due to costly returns that average 23% of order value); retailers that offer both in-store pick-up and returns enjoy an accretive effect—whereby shoppers walk out of the store with 107% of their original basket size after exchanging merchandise and making incremental purchases (behaviors rarely seen in a digital world)."

Driving store traffic from the web—and vice versa—is the logic chain retailers pursued by launching e-commerce sites, initially, and that helps drive their omnichannel strategy.

Slow growth in services

While L2's report predicts the demise of web-only retailers unless they add stores and basic omnichannel services such in-store pick-up of online orders and returns to store, retailers—chains and otherwise—have far to go in mastering omnichannel strategies. That's the conclusion of another report published in April 2016 that measures 120 retailers' progress in adding omnichannel services, based on

---

Who buys online and picks up in a store?

52% of consumers age 55-64

50% of consumers age 45-54

43% of consumers age 18-24

Source: Internet Retailer consumer survey, March 2016

---

mystery shopping studies in the summer of 2015 and the subsequent holiday season.

The "Omnichannel Retail Index: 2015 Holiday Findings" report by the National Retail Foundation and consulting firm FitForCommerce showed overall, if unspectacular, improvement of omnichannel offerings among the 120 merchants studied across 20 merchandise categories, such as apparel, electronics, beauty, food and gift, and home, during November and December 2015. 100 of the retailers have stores.

From the inaugural summer study, conducted June-July 2015, to the follow-on holiday review, "index retailers" improved their omnichannel offerings by 4.8% overall, led by the mobile services category at 20.0%: 86% of surveyed retailers provided a shared shopping cart from mobile to desktop, up by two percentage points from the summer study, while 77% of index retailers offered mobile-optimized email in the holiday season, up from 55% in the previous study.

36%

Of consumers used a store-based retailer's mobile app in the past year to check store product inventory.

Source: Internet Retailer consumer survey, March 2016

The report's authors note that overall adoption of fundamental omnichannel services—such as buy online pick up in store, buy online return to store, mobile-optimized emails, cross-channel inventory access and Wi-Fi in stores—is still low. But 46.2% of the retailers measured improved their overall omnichannel offerings in the holiday period vs. 44.1% in the summer edition. Some key findings follow.

● 28% of index retailers offer buy online, pick up in store, up five percentage points from the summer study.

● Online inventory visibility improved as the ability to refine search results on a category landing page increased six percentage points to 19%.

● Store product availability on a category landing page or product page inched ahead to 44% from 42%.

● Declines in the number of index retailers offering live chat on product pages (from 35% in summer to 27%) and in free return shipping (to 44% from 49%) were attributed to high online shopper volumes in the busy holiday season.

● Index retailers with stores provided fewer online shopping tools, such as interactive displays and kiosks (39% in the holiday study compared with 51% in summer).

● 33% of index retailers offered in-store Wi-Fi during the holidays,

up from 26% in the summer, making it easier for consumers to go online via their smartphones.

● Among the brighter outcomes, 69% of store employees offered to find a product online or in another store, up 30 percentage points from summer and somewhat surprising given the influx of temporary holiday employees with less training, the report says.

Retailers in the study coaxed more shoppers into stores, with those offering buy online, return in store increasing to 68% from 57% as they recognize "the potential to convert a return into a sale or exchange," the authors note. On the downside, store associates offered buy in store, ship to home services 14% less often during the holiday period.

Consumers embrace the online integration of web and store services, especially the buy online, ship to store concept.

> ### 'I have 1,800 mini-warehouses across the country.'
> #### Brian Cornell, CEO, Target

Forrester Research Inc. estimates 70% of U.S. consumers have purchased goods online for in-store pickup since store-based retailers began offering the service more than a decade ago, accounting for $1.5 trillion in retail sales.

Happy with in-store pick up

That's one omnichannel service many retailers appear to have mastered, based on a March 2016 Internet Retailer consumer survey of 200 online consumers. Nearly 40% of respondents said they had picked up an online order in a store within the previous 12 months. And 33% of those that used the service rated the experience excellent, while 58% rated it good. (See article page 18.)

The ubiquity of mobile devices, particularly smartphones, helps drive omnichannel sales as consumers research products, check inventory levels and purchase anywhere they have Internet service. The Internet Retailer survey found that, once shoppers are in a store 38% use smartphones to compare prices online. 29% use smartphones for product research such as reading customer reviews, and 8% bought out-of-stock products from the store's website. Shoppers also hunt products and prices while in stores and 11% of respondents said they use a smartphone to buy online from a different merchant.

Testing the largest chains

A firsthand test of 30 top retail chains by Internet Retailer research staff found some merchants far ahead of others in their use of mobile apps and other omnichannel tools. The chains are all ranked in the top 75 of the 2016 Top 500 Guide and range from Wal-Mart (No. 4) to

REI (No. 74).

For example, Home Depot offers multiple services including in-store access to its website via a computer positioned near its pick up in store desk, and return to store. And the home improvement chain continues to roll out a ship-from-store service, enabling shoppers to pick a two- to four-hour delivery window from one of its 1,900 stores.

Home Depot's mobile app is among the most versatile of those retailers Internet Retailer tested with geofencing that enables the app to detect when a shopper using the app enters the parking lot. Its "In-store Experience" button then lists features such as a store map, the latest ad flyer and a product locator. Shoppers also can scan shelf barcodes to pull up detailed product information on the company's website, including store inventory.

Target (No. 22) was another high achiever in the omnichannel services test by Internet Retailer staff, missing only two of 17 omnichannel capabilities. Target sends shoppers text messages once they are in a store, reminding them to keep location services active on their smartphones to receive information on promotions for the products they're walking by.

Target has gone all-in with an omnichannel strategy. All of its 1,800 stores have offered in-store order pickup since 2013 and the merchant has said that consumers who order online and request in-store pickup account for 15% of Target.com's order volume year-round. Those orders trigger alerts to affected stores, where workers pull the items.

1,800 mini warehouses

In March 2016 CEO Brian Cornell said more of Target's 1,800 stores will be used to fulfill online orders. 460 stores with fulfillment capabilities handled 30% of the retailer's total e-commerce sales in 2015 and 50% of online electronics orders in the fourth quarter, Cornell said. Those stores feature backrooms converted into online order fulfillment centers. Employees who are cross-trained to work the sales floor and the backrooms pick online orders from store shelves or inventory and pack them at the store. UPS picks up the orders and delivers them to distribution centers.

Those stores ship online orders to customers' homes or businesses nationwide within two days, Cornell said in remarks during and after a speech at The Executives' Club of Chicago. That capability lets Target compete with Wal-Mart, Amazon.com (No. 1) and others without building new e-commerce distribution centers. "I have 1,800 mini-warehouses across the country," Cornell says. He declined to specify how many stores will ultimately fulfill web orders.

38%

Of consumers used a smartphone in a store to compare prices online in the last year.

Source: Internet Retailer consumer survey, March 2016

Target is also opening an undisclosed number of smaller, urban stores measuring 20,000-40,000 square feet, compared with traditional 140,000-square-foot stores, to serve as fulfillment centers for online orders and enable nearby shoppers to swing by to pick up orders in-store.

When online shoppers come to a store to pick up an order, they often do more shopping, Cornell says. Target does not disclose how much those shoppers spend in a store, but the web drove them there.

From the Friday after Thanksgiving to Christmas in 2015, in-store pickup orders accounted for half of Target's online sales volume, chief operating officer John Mulligan told analysts on the Q4 earnings call. Online orders shipped from stores and those picked up in stores helped Target capture more sales because about 40% of that volume consisted of items that were out of stock at Target's e-commerce fulfillment centers, he said.

For the year, online sales increased 31%, short of the retailer's 40% growth goal, chief financial officer Cathy Smith told analysts on the earnings call. Target reported $2.51 billion in 2015 web sales, up 32.9%.

Despite missing projections, Mulligan said the retailer hit a new high in online orders fulfilled in stores during Black Friday weekend, which included Black Friday (Nov. 27), through Sunday (Nov. 29). Target fulfilled more than 1 million digital orders via order pickup, ship from store or ship to store.

Target also set a record on Cyber Monday, the Monday after Thanksgiving, with in-store order pickup increasing fourfold compared with the same day in 2014, Mulligan said. The retailer doesn't disclose the exact figures.

Omni options resonate with Target shoppers and the merchant will continue to apply resources to match their expectations. "Our guests love this flexibility, but it adds complexity to the business," Cornell says. To deal with customers' expectations, the retailer must ensure products are in stock and operate fast, reliable digital platforms with never-fail online checkout, he says.

That attitude sums up how the big retail chains approach the omnichannel strategy: Make shoppers happy no matter where they choose to buy a merchant's products. ■

CONSUMERS HAPPILY MAKE USE OF OMNICHANNEL OPTIONS,

BUT STILL CHECK ONLINE FOR LOWER PRICES

> 91% of shoppers who purchased a product online and picked it up in a store were satisfied with the service, but a third of all shoppers pull out smartphones to check online prices.

BY KAT FAY
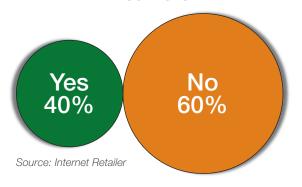
Recognizing that many consumers are buying more online every year, many store-based retailers are investing in making their own e-commerce sites competitive while also using their physical locations to offer services that web-only retailers like Amazon.com Inc. can't. Whether a customer is shopping online from a laptop or mobile device, by telephone, or from a bricks-and-mortar location, the retailers that operate stores are putting a priority on integrating their web and store channels so shoppers can browse and purchase items with ease.

Is the strategy working? Have consumers

IR
INTERNET
RETAILER

IN THE PAST YEAR HAVE YOU PURCHASED A PRODUCT ONLINE (WHETHER IT BE ON A DESKTOP COMPUTER, SMARTPHONE, OR TABLET) AND PICKED UP THAT PURCHASE IN A LOCAL STORE?

Yes 40%

No 60%

Source: Internet Retailer

noticed that the largest-store based merchants in North America have been pouring millions of dollars into so-called omnichannel strategies? Are they taking advantage of these omnichannel capabilities. If so, are they happy with the results?

Internet Retailer reached out to consumers to find the answers to these questions. The online survey of 200 U.S. consumers that have purchased a product online in the last year shows most consumers have been satisfied when they bought something online and picked it up in a store, or returned an online purchase in a bricks-and-mortar location. So far, so good for the store-based retailers.

But the results also confirmed many fears of store operators, including showing that nearly a third of consumers buy more online than in stores, and more than a third check online prices on a smartphone while in a store.

Purchase and pickup location

Buy online and pick up in store has been around for nearly a decade, and nearly 40% of the shoppers surveyed report availing themselves of that option in the past year. Older respondents are the most inclined to use this service: 52% of those ages 55 to 64 and 50% of those in the 45-54 range, but only 43% of those 18 to 24.

IF YOU DID PURCHASE A PRODUCT ONLINE AND PICKED IT UP AT YOUR LOCAL STORE, HOW WOULD YOU DESCRIBE THAT EXPERIENCE?*

EXCELLENT. It was super easy, and I'll definitely continue to buy products online for pick up at my local store.

GOOD. The experience was fairly convenient, and I'll probably buy online and pick up in store again.

POOR. It was pretty inconvenient, and I probably won't purchase online and pick up in store again.

UNACCEPTABLE. It was super inconvenient, and I'll definitely never buy anything online and pick up at my local store again.

33% 58% 5% 3%

Source: Internet Retailer
*Totals do not add up to 100% due to rounding

Evaluation of the online/in-store pickup

For those who have exercised the option to buy online and pickup in-store the survey results suggest that online retailers get a gold star in meeting consumer demands for convenient in-store pickup. 58% of those who have done this in the past year described the experience as "good" and 33% said it was "excellent," and these shoppers agreed they are likely to choose this option in the future. Results were fairly consistent by age group, with a few standouts. Most likely to rate the experience excellent were those 45 to 54, at 48%, while 88% of those 18-24 rated the experience good. The big majority of shoppers who have tried it plan to buy online and pickup in-store again, and they might also be more inclined to shop from other stores that also provide this option.

Ease and experience of returns

Consumers also appreciate being able to return

IN THE LAST YEAR, HAVE YOU RETURNED A PURCHASE YOU MADE ONLINE TO A STORE LOCATION (RATHER THAN RETURN BY MAIL OR SHIPPING CARRIER)?

Source: Internet Retailer

Yes	33%
No	67%

online orders to a store, as 33% of survey respondents chose to return an online purchase in-store in the last year rather than sending it back by mail or shipping carrier.

For those who chose this option the results were again clearly favorable, and almost identical to the satisfaction with picking up an online purchase in-store. Of those respondents who returned an online item to a store location 92% rated the experience either excellent (33%) or good (59%), and these groups say they will continue to return online orders in-store.

Older respondents were the most inclined to report this experience as "excellent." More than 71% of those 45-54 rate this as "excellent" followed by 53% of those 55-64. For those assuming that the omnichannel platform appeals primarily to millennials because they grew up with technology, these survey results show that integrated shopping appeals to all age groups.

Mobile research and app usage

The mobile phone is potentially a profound threat to retail chains, as it gives a shopper in a store access to all the information online—including whether competitors are offering a lower price on an item she's considering. To combat that threat, major store-based retailers have invested heavily in their own apps. The survey suggests shoppers are smart enough to turn all kinds of mobile apps to their advantage.

Do consumers use their smartphones while in stores to get the best deal? You bet they do. When Internet Retailer asked consumers how they used their phones while shopping in-store the most common answer, cited by 38% of respondents, was to compare prices online. That was followed by 33% who said checking for in-store coupons or discounts, 29% who go online for additional product information such as customer reviews and 11% who say they have purchased an item online from a different retailer after finding a better price.

The group most actively using their phones to check for in-store coupons are those 18-24—60% of them say they do this—followed by those 45-54 at 50%. 49% of those 35-44 use their phones to look

IF YOU DID RETURN AN ONLINE PURCHASE TO A STORE HOW WOULD YOU DESCRIBE THAT EXPERIENCE?

EXCELLENT. It was super easy, and I'll definitely continue to return online orders in stores.

GOOD. The experience was fairly convenient, and I'll probably continue to return online orders in stores.

POOR. The experience was pretty inconvenient, and I probably won't return online orders in stores again.

UNACCEPTABLE. It was super inconvenient, and I'll definitely never return anything in store that I bought online.

33%   59%   6%   2%

Source: Internet Retailer

IN THE PAST YEAR, WHILE SHOPPING IN A PHYSICAL STORE, HAVE YOU USED YOUR SMARTPHONE TO DO ANY OF THE FOLLOWING? (CHECK ALL THAT APPLY)	
Compare prices online	38%
Check for in store coupons or discounts.	33%
Research products online for additional information such as customer reviews	29%
Purchase an item online from a different retailer after finding a better price online	11%
Purchase an item online from the same retailer whose store you're in after finding out your item is out of stock at that location.	8%
Find the precise location (aisle or bin number) of a desired product in a specific store.	8%
Show a store associate the same product for a lower price (on your smartphone) and see if they will price match.	7%
None of the above.	47%

Source: Internet Retailer

Only 15%
of consumers report using a retailer's mobile app to purchase a product for pickup at their local store.

for more information such as product reviews, making that age group the most apt to do so. By comparison only about 33% of those 18-34 use their phones for additional research.

However, many consumers also use the mobile apps of store-based retailers, which keep those shoppers away from rivals—at least while they are in the retailer's app. Consumers use store-based merchants' mobile apps for a variety of reasons, the most popular being to check online prices. They may be in Retailer A's store and checking prices on the app of Retailer B. Or they may be in A's store and making sure that retailer doesn't offer a lower price online. Some retail chains vary store prices to match local competitors and may offer different prices online. A recent MIT survey found 69% of U.S. multichannel retailers studied offered the same prices online and offline. But the result varied widely by category, with drugstores and office supplies retailers the least likely to keep prices the same in both channels in the global survey.

Whatever the scenario, around 45% of respondents say they have used a store-based retailer's mobile app to check prices in the past year. 42% of respondents say they've used an app to find their closest store, and 36% used an app to see if a product was in stock at a local store. However, a much smaller portion of respondents used a mobile app to purchase a product for pickup at their local store (15%), and 16% have added an item to their mobile app shopping cart to buy later.

Use of a store-based retailer's mobile app to check prices is quite consistent across most age groups, ranging from 50-54% for those from 18 through 54. However only 31% of those 55-64 use a mobile app to check prices, suggesting these older shoppers are not as

IN THE PAST YEAR, HAVE YOU USED ANY STORE-BASED RETAILER'S MOBILE APPS TO DO ANY OF THE FOLLOWING: (CHECK ALL THAT APPLY)	
Check prices.	45%
Find my closest store.	42%
See if a product is in stock at my local store.	36%
Find coupons or special offers.	32%
Add a product to my mobile shopping cart to buy later.	16%
Buy a product so I can pick it up later at my local store.	15%
Get step-by-step driving/walking directions to my closest store.	12%
None of the above.	43%

Source: Internet Retailer

accustomed to using mobile apps as younger consumers.
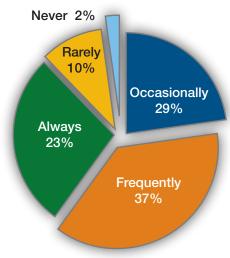
Research prior to purchase

Most consumers research products online before buying in stores. 23% say they do it always, 37% frequently, 29% occasionally, 10% rarely and only 2% say they never do it. (The percentages add up to more than 100% because of rounding.) Those results underscore the importance for all retailers of maintaining appealing websites and showing up prominently in results on search engines, whether the organic results or in paid search ads.

In the past year **32%** of consumers made more online purchases than in-store.

Purchase history

In order to get a closer look at online vs. in-store purchasing history in the past year respondents were asked if they made more purchases online, in-store, or if they bought the same amount online and in-store. 32% made more online purchases than in-store, 54% made more purchases in-store and 14% indicate making the same amount online and in-store.

Which group shops online the most? It's the millennials, as 44% of those aged 18-24 say they shop more online than they do in-stores.

HOW OFTEN DO YOU RESEARCH PRODUCTS ONLINE BEFORE BUYING IN STORES?*

- Never 2%
- Rarely 10%
- Always 23%
- Occasionally 29%
- Frequently 37%

Source: Internet Retailer
*Numbers do not add up to 100% due to rounding

INTERNET
RETAILER

WHICH OF THE FOLLOWING BEST DESCRIBES YOUR PURCHASE HISTORY IN THE PAST YEAR?

I made more online purchases than in-store.   **32%**

I made more in-store purchases than online.   **54%**

I purchased about the same amount online and in-store.   **14%**

Source: Internet Retailer

That's compared with the 55-64 baby boomer age group, in which 58% of respondents do most of their shopping in-stores.

    The upshot of the survey is that consumers will take advantage of every convenience a retailer offers, when it suits them. And that includes options that span the web and stores: The 40% of respondents who picked up a web item in-store in the past year is evidence of that. The good news for store-based retailers is most consumers who have tried these options were satisfied when they picked up or returned online orders in-stores. But only a third of those consumers rated those services as "excellent," showing that many retail chains still have work to do in delivering on their omnichannel promises. ■

PUTTING RETAILERS' OMNICHANNEL CAPABILITIES TO THE TEST

In the final shopping days before Christmas an optimistic Internet Retailer editor set out to check off the last gifts on her holiday list in an online-to-store shopping journey. She returned a little cranky.

BY ALLISON ENRIGHT

It is three days before Christmas, and I really want the "shop whenever, wherever, however" omnichannel promises retail chains have been making over the last few years to be true.

Five items remain on my holiday list: women's handkerchiefs, SmartWool-brand socks (for Dad), a "gift for Mom" (I'm open to ideas), a bed blanket and a gourmet-type hostess gift for a cousin who is having the extended family over for Christmas Eve dinner.

Knowing I had this story assignment, I've purposely left these shopping tasks to the dwindling days before Christmas, thinking it would be a prime time to see just how popular "buy online, pick up in

store" options really are with consumers, and how well the chains are doing it and managing their inventory. I figure demand will be high this late in the season, especially as many online retailers' deadlines for free shipping had passed or were about to. (Full disclosure: I did most of my other gift buying online the second week of December, and nearly all of that on Amazon.)

Forrester Research Inc. estimates 70% of U.S. consumers have purchased goods online for in-store pickup since store-based retailers began offering the service more than a decade ago, accounting for $1.5 trillion in retail sales. Personally, I've only done it once before now.

On Dec. 22, my goals are to:

1. *Find the products I want online or in an app*
2. *Place and pay for orders online for in-store pickup*
3. *Drink some spiked eggnog and pick up my orders tomorrow*

I make a short list of retailers I want to shop, based on their location near work and home, my desire to shop with them and because they have all promoted their omnichannel capabilities, including having single views of inventory across the web and stores, and buy online, pick up in store options. On the initial list are Nordstrom Inc., Macy's Inc. and Wal-Mart Stores Inc. (see sidebars for these and other retailers' omnichannel moves). I figure that will cover it.

Oh, silly me. Things go a little haywire, fast.

TASK 1
Women's handkerchiefs

Going after the "anytime, anywhere" aspect, I shop for hankies on my Android smartphone during my train commute into work. I open the Macy's app and search "women's handkerchiefs." Zero results. I launch the Nordstrom app and do the same search. Zilch. Seriously? I know they are old-fashioned, but not a single one? I load Walmart.com on my phone and find two plain ones available from a marketplace seller, but getting them by Christmas isn't guaranteed. It's not even 8 a.m. and I've struck out. The Amazon app calls to me from my phone screen. I try to resist ... but I fail. Christmas Eve is in two days, after all. More than 5,000 matches appear, and I filter out those not available for Prime shipping, leaving me with more than 850 options. I pick a boxed set that has several dainty-looking patterns. Six for $10.99. I'm done in about three minutes and my train hasn't even

pulled into the station. They show up in my mailbox the next day.

TASK 2
SmartWool socks

My father is one of those "don't buy me anything" sort of dads, so this year he's getting socks and a few other practical things I've already bought. I want to get SmartWool socks because I've bought them for him before and he likes them. Given that I've bought them at Nordstrom and REI before, I click over to Nordstrom.com on my laptop at work.

I use the category search tabs to narrow in on underwear and socks, then to socks and select the brand "SmartWool." I get six results, which is OK. I look for a way to sort the results by what's in Nordstrom's downtown Chicago store, but don't see one. I click into one of the results and see "ship it" and a "pick up in store" option that isn't available because the product isn't in any nearby stores. Ultimately, two of the six results are available in the Chicago store, but not in the size I want. They're also not in two other area Nordstrom stores either, not that I was seriously considering driving to a suburban mall a day before Christmas Eve, but Nordstrom.com at least checked those too.

To its credit, Nordstrom offers free shipping guaranteed by Christmas Eve on the socks, but I pass. I scoot over to REI.com just to see, and while the site says the Chicago store has several varieties in stock it doesn't offer buy online, pick up in store, so I set it aside too. Macy's and Wal-Mart don't carry the brand. Amazon calls me again. It's got 118 varieties in size medium available for Prime shipping. But I've already given in once and this story, ostensibly, isn't supposed to be about Amazon. I decide I'll figure something else out and move to the next task.

TASK 3
Gift for Mom

I figure this one should be the easiest because, not having a particular product in mind, I'm open to being sold. I click over to Macys.com and browse. I look at jewelry but ultimately end up in

fragrances. Mom likes Beautiful from Estée Lauder so I search that and get 12 results, including single bottles and gift sets. The page has a "pick up in store" filter, where I check the Chicago State Street store, which narrows the results to nine, including a 30th anniversary special edition of the perfume in a pretty bottle. I click into the product page and decide this is it, and it comes with a free gift to boot. I go to add it to my bag, but it is showing as a web purchase for shipping, rather than in-store pickup. I have to re-enter that I want to pick it up and enter my ZIP code and reselect the store, which is a little annoying.

At checkout I learn that while I can get the perfume at the store, Macy's has to ship the free gift to my home, and it estimates arrival will be in early January. Odd, but not enough for me to abandon the purchase. I complete the order and the website tells me I can pick my order up in approximately four hours. About 90 minutes later I get an email and a text message—which I'd opted into at checkout—that it's ready for pickup. The email tells me to bring it and my photo ID and to find the pickup area "for most items" in the luggage department in the lower level. It also says the store is open until midnight, which is a nice option but unnecessary. I'll swing by tomorrow.

TASK 4
Bed blanket

I've got guests staying with me over the holidays, and I need a blanket for the full-size bed in my guest room. Since I've just had luck with Macy's, I go there first but can't find one in my price range. I go to Nordstrom and search "full size blanket" and find it laughable that the top results are blanket-style coats for plus-size women. Bed blankets are farther down the page, but, again, pricier than what I'm looking for.

I head to Walmart.com and enter the same search, using a drop-down menu that lets me enter my ZIP code to show availability in the store near my suburban home. This is where things get a little wacky. Either I can get a kids blanket with the Teenage Mutant Ninja Turtles on it or a bag of Ol' Roy Pigz N Blanket dog treats. Other not-really-matching products show up as well. While my dogs might appreciate the treats, I don't think dog treats will keep my guests warm. I know there has to be a full-size, adult-looking blanket in the Wal-Mart store, but it's not showing up today online.

Having exhausted my list of retailers, and having to get back to work, I set this task aside.

TASK 5
Hostess gift

A few hours later, the Walmart.com search funkiness is still bothering me. I return to try to search for what I can buy online to pick up at my local store in the way of a hostess gift. After selecting "my store" and "free pickup today," which I annoyingly have to reselect in every search I run, I search different merchandising features Walmart.com puts in front of me, such as "gift sets by price" and "top rated gift baskets." It repeatedly shows me results, but all those results are listed as out of stock at my selected store. Why is it showing me these at all? Several searches and reselections later, I find 20 items listed in stock on the results page. Clicking into the product pages, however, shows they are not in stock at my selected store, but at a variety of other Walmart stores in the suburbs—not what I had specified at all. I've spent a half an hour on this and I'm frustrated at the time I've wasted.

So my workday is done and I've checked off two of five gifts I need to buy. In my notes I've written: "I really thought this would be easier."

TAKE 2

My dinner is in the oven and I get back to my to-do list. In the mail today was a $10-off coupon for J.C. Penney, which has a store less than two miles from my house. J.C. Penney Co. Inc. is not a retailer I frequent, but I know it sells home goods so I decide to search for a blanket there on my smartphone.

A search for "full size blankets" returns an array of blankets for full-size and queen-size beds! There are also some throw blankets, but at this point I'm not ready to quibble. As I'm on my smartphone, the site appears to know where I am and when I select to narrow my selections by what's in stock in its stores, it points me to the store down the street. I pick a blanket and a color and it confirms it is in stock. I proceed to checkout, and it gives me standard payment card options, and the option to pay with PayPal. I select PayPal and the site hands me off to PayPal where I enter my password and confirm the purchase amount before getting shunted back to JCPenney.com

to finalize the transaction.

That's where I run into a technical issue. Something goes wrong in the handoff between PayPal and Penney's, because when I go to finalize the purchase I get a message that my session has timed out and to call customer service—something I'm not about to do two days before Christmas. I drop off the site, wait a minute and return. The blanket is still in my cart. I try to check out again, but again get the error message. I grab my iPad to try to recreate the order but get a different error—it can't find my store after I enter my ZIP code. On the verge of giving up, I try one more time on my phone. The blanket is still in my cart and I go to check out, again with PayPal. This time it goes through. Hallelujah! I immediately get an email that tells me the order is being processed. It says online orders are "usually ready for pickup in four hours."

Feeling like I just may be on a roll, I visit SamsClub.com, Wal-Mart's warehouse club division's e-commerce site, on my iPad. I've decided to give up on Walmart.com for this project—there was just too much chaos to sort through. The Sam's Club site is more stream-lined, and it's clear which products are online-only for shipping to club or home, and which are available in-store, as I've previously registered to the club location I use. In about 10 minutes I've found a big gift box of caramels and chocolates that'll do for a hostess gift. It gives me the option to pay online or pay when I pick it up. I tap to pay now, enter all my payment info—no PayPal option here—and press enter. And that little circle spins and spins and spins. After about a minute, I hit cancel and just say I'll pay when I pick it up. It's not quite "buy online" but close enough, and my dinner is ready. I've checked four of the five gifts off my list.

I make Macy's my first stop during my lunch hour. The State Street store is Macy's flagship store in Chicago and it's massive—it is nine stories and takes up a full city block. I walk in and it's busy. I don't see any signs directing me to where to pick up my online order so I'm glad I noticed the instructions on my confirmation email to head downstairs to luggage. I follow the signs to luggage until I see a sign hanging overhead pointing me in another direction, into clothing irons and vacuums (you can sell those but not hankies, Macy's?), where there's a counter staffed with two clerks. There's one person ahead of me picking up his order. By the time he's done, there's one more person

behind me waiting. Not exactly busy, but steady.

I show my order info and am asked for my ID. Thinking the clerk is just going to confirm it matches, I'm surprised when she takes it and heads into a storeroom. I ask the other clerk why her co-worker took my ID and she says so she can match it to the order. I ask why she couldn't have used the email confirmation. She shrugs. It seems like a bad idea these days to lose sight of your ID. The clerk is back less than two minutes later and hands me my order and ID. I have to sign at the register that I've picked up the order. I'm in and out in less than 10 minutes.

There's a Nordstrom Rack across the street from Macy's, so I pop in to see if there are any SmartWool socks in stock. There are two styles, but only in extra-large. I decide to just grab another brand of hiking socks and be done with it.

> It is three days before Christmas, and I really want the "shop whenever, wherever, however" omnichannel promises retail chains have been making over the last few years to be true.

After work I head to Sam's Club and J.C. Penney, which, conveniently, are in the same shopping center. Sam's Club today sent me a push notification—I have its app on my phone—alerting me my order was ready for pickup and to check in on the app when I arrive so staff can have my order waiting for me in the online pickup area, which I do before I head in.

Entering the store, I realize I have no idea where the online pickup area is. I ask the greeter where to go. She directs me to a computer kiosk about 40 feet into the store. After the kiosk scans my membership card, it can't find my order. But then a promotional message appears to tell me if I check in on the mobile app, I can skip this step. OK—I know I've already checked in with that, so I look for signs for the online pickup area, but can't find any. I ask a cashier, who tells me it's over by the restrooms and pharmacy. I head that way, still looking for a sign or a counter, but there's nothing. I stop a staffer and tell her I'm searching for my online order, and she asks me if I couldn't find my cart. I don't know what she's talking about, so she walks me to an area squashed between the supply room for the café and the restrooms, where a few carts are parked. The carts are labeled with customers' first names and last initials and the order is in one of the carts. It is unstaffed and there is no signage. As a customer, it looks to me like a holding area for merchandise that's supposed to be returned to the sales floor.

I find my cart, and take my box of candy and a slip of paper with a bar code on it. Now I have to stop at the member services desk. There are three people ahead of me in line completing exchanges and figuring out membership details. I wait for my turn with the one clerk working. He matches my slip with an order slip stored in a binder and scans the bar code. I pay with a credit card and ask whether I would have to stop here if I had paid online already, and he says yes. I check my watch. It's taken me 21 frustrating minutes to locate and complete this process. I think I could have come, found the candy and checked out in the regular line faster.

J.C. Penney is a couple doors down. Heading in, my expectations are that this is going to be difficult even though J.C. Penney sent an email confirming my order was ready for pickup two-and-a-half hours after I placed the order. But the message said to bring my ID and the card I used for payment to any register to pick up my order. Having paid with PayPal, I'm expecting this will be an issue, and am wondering how long I will have to wait for someone to find my order if I go to a register nowhere near where the store was holding the order?

> I agree with the many retail executives who say their omnichannel initiatives are very much a work in progress.

I straighten my shoulders, feel like I am biting a bullet and head to the main checkout to the right of the entry doors, where four clerks are manning registers. There are only two people ahead of me on this eve of Christmas Eve, which seems pretty rough for Penney's future. I get to the counter quickly and explain I am there to pick up my online order, and am asked for my ID and my payment card. I explain I paid with PayPal and hand over my email pickup confirmation (which I was not required to bring, but which included a 15% off coupon immediately valid on store purchases—smart!) and she says OK. She looks up some information on her terminal, and calls someone on the phone. She tells me I can step out of the line and someone will bring me my purchase.

About a minute later I'm being handed my package by another employee, who wishes me a merry Christmas. I'm stunned. Total elapsed time from my entry to exit was four minutes. In the bag I find a preprinted card from the general manager thanking me for my pickup order and which includes her phone number if I have questions or concerns.

WRAP-UP

The presents are wrapped and the guest room is made up. Like many people, I'm feeling relieved that the rush to the holiday is over, and now I can just enjoy Christmas. I head to my cousin's house for dinner, hostess gift in hand, and spend the evening with my nutty relatives. When I get home, I find an unexpected box delivered by UPS on the front step. It's my free gift from Macys.com, shipped ground from Oklahoma, which I didn't expect to see until the new year. It's a nice bonus.

To sum up, I agree with the many retail executives who say their omnichannel initiatives are very much a work in progress. None of the retailers I tried has nailed it across their digital and store operations. There are technical issues on the websites, and operational issues at the store level that need to be improved upon to convey to customers that these retailers are ready to serve them across channels in every way. ■

WEB-ONLY RETAILERS FIND BRICKS-AND-MORTAR STORES LIFT BRAND AWARENESS AND REVENUE

Stores can raise visibility and offer a place for consumers to test, sample and try on a product before buying.

BY JACQUELINE RENFROW

While many of the biggest retail chains are closing stores, some web-only retailers are opening them, aiming to increase brand awareness, customer loyalty and boost sales—online as well as in their bricks-and-mortar shops.

Even Amazon.com Inc. is moving into selling in the physical world, opening its first stand-alone book store in Seattle in November 2015 and, according to media reports, planning its second for San Diego this summer. Amazon also has opened a number of bookstores on college campuses.

Why the move to bricks and mortar? "It's a market size question," says Brent Franson, CEO of

Euclid, a company that collects and analyzes anonymous data from smartphones to provide marketing services to stores and restaurants. While U.S. consumers bought $341.7 billion online last year, that's only 7.3% of total U.S. retail sales of $4.699 trillion. Amazon and everyone else can see the potential of this much larger sales channel.

That's why originally web-only retailers such as Blue Nile, Rent the Runway, Bonobos and Blank Label are expanding into bricks-and-mortar, seeking the optimal balance between online and offline sales.

Early results suggest that the primary advantage for an online retailer with one or more physical stores is to raise visibility, and to offer a place for consumers to test and sample a product before buying. There they can consult store associates who may be able to offer a level of personalization still beyond the reach of website software.

Blue Nile's 325-square-foot 'Webroom' lets shoppers see and try on 400 styles. But the store does not carry inventory and shoppers have to buy from the online selection.

Blue Nile gets physical

One retailer that dove into the physical realm last year is longtime online jeweler Blue Nile Inc. The brand, which launched in 1999 primarily selling engagement rings to men, reported 2015 sales of $480.1 million. In June 2015, Blue Nile opened its first store, which it calls a Webroom. Another New York location is set for late 2016, as well as a storefront in Tysons Corner Center mall in Virginia.

Blue Nile moved into stores slowly with a test of display cases in two Nordstrom stores in 2014. One of those stores was in the Roosevelt Field shopping mall in suburban Garden City, N.Y. A survey of visitors who stopped at the Blue Nile display there showed 91% said that they were in Nordstrom to specifically shop the Blue Nile, versus being random customers wandering through Nordstrom who happened to find the display.

"Because of our small, low-overhead footprint at Nordstrom, we saw significant sales per square foot that would be a high watermark in any industry," says Harvey Kanter, CEO of Blue Nile. "That created a welcome paradox: Our efficient footprint, versus the massive over-head of traditional jewelers, which allowed us to simultaneously create greater innovation and leverage the bricks-and-mortar experience."

Blue Nile subsequently closed its displays in the two Nordstrom stores and opened its first Webroom last year at the Roosevelt Field

mall. The sleek, 325-square-foot space lets shoppers see and try on 400 styles. But the store does not carry inventory, and shoppers have to buy online.

In total, Blue Nile plans to open four Webrooms in 2016, with two locations still unannounced. The Webrooms feature a TV on the wall that plays a video and has a live feed of Blue Nile's social media fans posting comments and photos of engagement rings. There is also an "open sell" table with rings tethered to the fixture, allowing visitors to try on the rings, free from sales pressure.

"There is a trend of e-commerce companies reimagining traditional retail with hybrid models that offer quality, choice and superior value, but we believe that we are the first online jeweler to have a controlled display room experiment," says Kanter. "The ability to control the entire experience is very powerful, and it's an experience like none other. Customers have the freedom to shop in a physical space but enjoy the advantages of online prices, non-commissioned advice, a huge selection and great quality."

> 'Because of our small, low-overhead footprint at Nordstrom, we saw significant sales per square foot that would be a high watermark in any industry.'
> **Harvey Kanter, CEO, Blue Nile**

Kanter says the initial physical location "has exceeded our expectations for sales and we see a significant amount of foot traffic from those who are drawn in by the disruptive look of the space. Many of the customers have never heard of Blue Nile before, so it's doing double duty as a marketing channel which increases its efficiency. We have also seen a lift in online traffic and sales from the New York area."

The pros and cons

The visibility of a high-profile location may well bring a lot of new customers to brands that grew up online, says Michael McGrail, chief operating officer at Tiger Group, a company that provides asset valuation, advisory services and financial backing to retailers, A retail presence on Fifth Avenue in New York City may not be generate enough sales to cover the high rent, but the advertising value may justify the expense, he says.

The bricks-and-mortar stores that will continue to thrive, even as others falter, are those located in top malls and urban locations where foot traffic is high, McGrail says. "Those that play the game early and make those moves and are nimble enough to make adjustments will be fine," he says.

But will stores, like Blue Nile's Webrooms, that don't carry

inventory, contribute enough in sales and advertising value to make the cost of real estate worthwhile? Sucharita Mulpuru-Kodali, vice president and principal analyst, Forrester Research, is not so sure. She says many of the web-only retailers opening physical stores are venture-funded start-ups riding a wave of "over valuation" that will likely at some point face a liquidity crunch. "They'll need to manage their cash to stay alive or they'll have to be acquired or they'll go under," she says. "Most are likely burning more than they should," she adds, though she says she is not aware of any retailers in particular that face financial difficulty.

There are undoubted cost advantages of selling online: no need to rent space on commercial streets or shopping malls, website technology replaces the individual store associates, and there is no need to tie up capital in inventory in many stores when a single distribution center can fulfill all an e-retailer's only orders, at least at first.

But there remain advantages to the physical store, McGrail says.

Many consumers still want to see, touch and try on a product before making a purchase, he says. And when customers return products to stores, they often buy something else, a revenue stream online retailers don't get from the returns process. Plus, the physical store still holds a large opportunity for personalization, impulse buys and brand advertising. "Instant gratification and that 'I need to have this' feeling are fulfilled by traditional shopping," McGrail says.

Bonobos bets on stores

Bonobos began making a "little bet" on moving beyond the web in 2011 when it opened fitting rooms in the lobby of its New York City headquarters. The conclusion: Customers do want the opportunity to see and touch items before they buy.

"Believing strongly that a single point of distribution would best serve the ability to showcase a large product assortment, the integrated commerce approach was born and quickly became what we call today our Guideshops," says Erin Ersenkal, chief revenue officer, Bonobos.

The headquarters shop now serves as one of 19 permanent Bonobos locations.

"Bonobos was built online, so naturally we have data that shows we'd have success in these cities based on our customer base. The decision on where to go was a combination of art and science. As a digitally native brand, we had

'Bonobos is a business built with the site operating as the one distribution point, meaning any purchase made via a Guideshop, mobile device, tablet, or web browser is all being processed through Bonobos.com.'
Erin Ersenkal, chief revenue officer, Bonobos

great information around where customers are in addition to knowing the great retail streets throughout the country," says Ersenkal.

Bonobos' Guideshops let consumers come in, try on items, touch and feel materials, and then make a purchase from online inventory.

Bonobos Fifth Avenue Guideshop

Bonobos' physical locations serve as 'Guideshops' where consumers can come in, try on items, touch and feel materials, and then make a purchase from online inventory.

The brand has no plans to sell inventory directly out of the Guideshops, because it prefers not to hold inventory and believes this model of taking orders via the web is the "next wave of retail," says Ersenkal.

"Bonobos is a business built with the site operating as the one distribution point, meaning any purchase made via a Guideshop, mobile device, tablet, or web browser is all being processed through Bonobos.com. This way the customer is having the same experience across all access points and eliminating the need to train them on how to shop on different platforms," says Ersenkal.

The value of data

There may be merit to supplementing online retail sites with physical stores for some merchants. But whatever a retailer's roots, collecting data about each customer every time she contacts the brand will be crucial, says Franson of Euclid.

"This collection of data and the understanding of the consumer is what will help traditional stores succeed," says Franson. "Similarly, on the flip side, e-commerce players will need to compete with traditional retailers that have been managing and operating stores for a long time." Ultimately, it's about marrying the two and "creating an ecosystem and environment in which you are maximizing access of online and offline and single experience with a single view," he says.

In the future, the balance of how much retail will exist online versus offline will be a "sort of chemistry test," driven by the consumer, McGrail says. ■

CASE STUDY

The RealReal offers value at physical locations

Consignment retailer **The RealReal** began online, offering consumers a collection of pre-owned and authenticated luxury items. The company also offers a white glove service in 20 cities where a luxury manager will come to the consumer's home and consult on items for resale. But in August of 2015, The RealReal opened its first physical space, a New York office where its personnel appraise products consumers want to sell at TheRealReal.com. The retailer opened similar locations in Los Angeles and Chicago in March 2016.

"The valuation concept aligns with The RealReal's mission of offering its members a high-touch, personalized service across all categories, and addresses the gap in the market today for a reliable place to get accurate fine jewelry and watch valuations," says Michael Groffenberger, senior category director of fine jewelry and watches at The RealReal.

"Since these are major markets where many of our shoppers and consignors live, it made sense for us to start with New York, LA, and Chicago. The locations will be permanent and we plan to expand to other markets in the future."

While nothing is actually bought or sold at these physical locations, according to Groffenberger, it's really "another way for us to reach our vast member base (more than 4 million) on a personal level." The primary role of these valuation offices is to increase the selection on the e-commerce site, thereby increasing sales.

CASE STUDY

Fabletics expands sales to bricks-and-mortar

The **Fabletics** brand, owned by parent company JustFab, dates back to 2013, but it was only in 2015 that the athletic wear retailer decided it was time to create a bricks-and-mortar presence.

"Customers were telling us they wanted to be able to shop in-store and be able to touch, feel and try on the clothing. In addition to being another channel of revenue and strengthening our online sales, our retail stores offer us another way to connect with our customers: to learn about what they want, what they're looking for, what they love, what they don't," says Gregg Throgmartin, president of Fabletics.

The brand opened six permanent retail locations within six weeks in September and October 2015. And things are not slowing down, as Fabletics plans to open a dozen new stores in 2016, the first one in the Mall of America in early May.

"We are extremely pleased with how the stores are performing, which is why we are tripling the number of storefronts this year. The stores not only drive revenue inside the four walls of the stores, but we see a lift in our online business in the radius around the stores," says Throgmartin.

Fabletics says customers that shop in both channels are not only more valuable but also report higher levels of satisfaction. Still, the brand was surprised at some early wins that it saw once it started opening physical stores. For example, accessory sales are double in-store what they are online and bra sales and menswear are dramatically higher in physical stores than online.

"What's really crazy to think about is that we're just scratching the surface. Over the next six months, we will launch new fixtures and new technology to enhance the customer experience even more," says Throgmartin.

CASE STUDY

Blank Label's smaller locations boost e-commerce transactions

Custom shirt maker and menswear designer **Blank Label** launched online six years ago, saying it wanted to change the way men shop and dress. And as popularity for the brand has grown, so has the need for a physical presence as more consumers started asking for a location to try on shirts, says Blank Label founder and CEO Fan Bi.

"The reality is men need to buy clothes and the simple truth is that the current experience can be poor," Bi says. He paints an image of loud, crowded malls and disinterested sales associates. "Then the process of picking up multiple sizes and waiting for a dressing room to try it all on." That's why Bi's physical stores needed to feel different. He says Blank Label has highly trained staff in its store who can help men to find customized items.

All items are ordered and delivered in about two weeks to be picked up in a store or shipped to the consumer's home.

Blank Label has two stores in place in Washington, D.C., and Boston, with Atlanta and Philadelphia stores set to open at the end of 2016 or early 2017. Why these locations? Bi says that's where Blank Labels current customer base is, and these cities are natural extensions of the brand. For now, Bi is staying clear of the competition in New York and the West Coast.

"We categorize each of our customers as an 'e-commerce' customer or a 'retail' customer. Once they come into the store, they convert from an e-commerce customer to a retail customer, and they need to have not come into the store for a year before they move back to being an e-commerce customer," says Bi. "In Boston, before

we launched a store, all our customers were e-commerce customers. Now more than 93% of our Boston customers are retail customers. The whole Boston customer base has grown dramatically over the last two years with our store opening, but the total number of e-commerce customers has declined because they've come into the store. We don't see this as a bad thing because the basket size of a retail customer is more than double that of an e-commerce customer."

After a consumer makes a purchase in a Blank Label store, 78% of his repeat purchases are going to happen back in-store. "Even though it may seem more convenient to order online, because our basket size can easily run over $1,000, it's a considered purchase where they still want to talk to a specialist and feel the fabrics," Bi says.

While other apparel retailers have had to close stores, companies like Blank Label are still expanding. Bi says this success is in large part due to the square footage of Blank Label stores. Offering a showroom space of about 2,000 square feet is a lot less expensive than committing to 20,000 square feet of real estate. The key, he says, is not keeping any inventory on site.

CASE STUDY

Rent the Runway flexes its digital presence in the physical world

Partners at Bain Capital Ventures first met the co-founders of **Rent the Runway**, Jennifer Hyman and Jenny Fleiss, when they were still at Harvard Business School and immediately the funding company was impressed with the "closet in the cloud" idea.

Scott Friend, managing director at Bain and Rent the Runway board member, says the merchant's four physical locations have been extremely successful for the company. Not only do they pay back on a stand-alone basis in a year or less, but markets with physical locations outperform the rest of the country in online sales.

"When our customer can leverage a physical store location to pick up apparel, accessories or other items in store, try on, swap, etc., she'll rent more from us more often. So not only do we not cannibalize our online business when we open a store, we actually enhance it," he says.

Friend says Rent the Runway's roots on the web will prove an advantage as retailing evolves.

"If by having a physical retail location in combination with a fantastic digital presence and flexible mobile capabilities, we can create even more satisfaction for our customers, this leads to more loyalty, more transactions, and great lifetime value," he says. "The shopping decision becomes easier. And, for next-generation consumer services like Rent the Runway that were 'born digital,' the integration of traditional retail stores is far easier than it is for a legacy bricks-and-mortar retail operation to seamlessly integrate with its digital business." ■

How Annual Web Sales Fare vs. Comparable-Store Sales

Top 500 Rank	Retailer	2015 Web Sales	2014 Web Sales	Growth	2015 Comparable Store Sales Growth	2014 Comparable Store Sales Growth	2015 Total Sales	2014 Total Sales	2015 Web as a % of Total Sales	2014 Web as a % of Total Sales
4	Walmart.com	$13,700,000,000	$12,200,000,000	12.3%	0.5%	0.4%	$482,130,000,000	$485,651,000,000	2.8%	2.5%
5	Staples Inc.	$10,700,000,000	$10,900,000,000	-1.8%	-3.0%	-4.0%	$21,060,000,000	$22,492,000,000	50.8%	48.5%
6	Macy's Inc.	$6,210,000,000 [1]	$5,400,000,000 [1]	15.0%	-2.5%	0.7%	$27,079,000,000	$28,105,000,000	22.9%	19.2%
7	The Home Depot Inc.	$4,668,000,000	$3,762,000,000	24.1%	7.1%	5.3%	$88,520,000,000	$83,176,000,000	5.3%	4.5%
8	Costco Wholesale Corp.	$4,472,158,837	$3,738,714,205	19.6%	1.0%	4.0%	$113,660,000,000	$110,212,000,000	3.9%	3.4%
9	Office Depot Inc.	$4,386,000,000 [1]	$4,300,000,000 [1]	2.0%	0.0%	-3.0%	$14,485,000,000	$16,096,000,000	30.3%	26.7%
12	Best Buy Co. Inc.	$4,010,820,000 [1]	$3,540,000,000 [1]	13.3%	0.5%	0.5%	$39,528,000,000	$40,339,000,000	10.1%	8.8%
14	Sears Holdings Corp.	$3,500,000,000 [1]	$4,000,000,000 [1]	-12.5%	-9.2%	-5.7%	$23,500,000,000	$31,198,000,000	14.9%	12.8%
18	Nordstrom Inc.	$2,832,000,000	$2,356,000,000	20.2%	2.7%	4.0%	$14,095,000,000	$13,100,000,000	20.1%	18.0%
19	Kohl's Corp.	$2,818,400,000 [1]	$2,168,000,000	30.0%	0.7%	-0.3%	$19,204,000,000	$19,023,000,000	14.7%	11.4%
20	Gap Inc.	$2,530,000,000	$2,503,000,000	1.1%	-4.0%	0.0%	$15,797,000,000	$16,435,000,000	16.0%	15.2%
21	Williams-Sonoma Inc.	$2,523,000,000	$2,371,000,000	6.4%	3.7%	7.1%	$4,976,000,000	$4,699,000,000	50.7%	50.5%
22	Target Corp.	$2,508,690,000	$1,888,068,000	32.9%	2.1%	1.3%	$73,790,000,000	$72,618,000,000	3.4%	2.6%
27	Lowe's Cos. Inc.	$1,770,000,000	$1,265,000,000 [1]	39.9%	4.8%	7.3%	$59,010,000,000	$56,200,000,000	3.0%	2.3%
28	L Brands Inc.	$1,681,724,000 [1]	$1,628,000,000 [1]	3.3%	5.0%	4.0%	$12,700,000,000	$11,454,100,000	13.2%	14.2%
33	J.C. Penney Co. Inc.	$1,415,200,000 [1]	$1,220,000,000	16.0%	4.5%	4.4%	$12,630,000,000	$12,257,000,000	11.2%	10.0%
35	Toys 'R' Us Inc.	$1,353,000,000 [1]	$1,230,000,000	10.0%	0.9%	-1.0%	$11,802,000,000	$12,400,000,000	11.5%	9.9%
36	Neiman Marcus	$1,338,400,000	$1,184,424,779 [1]	13.0%	3.9%	5.6%	$5,095,000,000	$4,840,000,000	26.3%	24.5%
37	Walgreen Co.	$1,282,500,000 [1]	$1,125,000,000 [1]	14.0%	1.5%	5.7%	$103,444,000,000	$76,400,000,000	1.2%	1.5%
39	Urban Outfitters Inc.	$1,259,121,000 [1]	$953,880,000 [1]	32.0%	2.0%	1.0%	$3,450,000,000	$3,323,077,000	36.5%	28.7%
44	Lands' End	$1,140,950,000 [1]	$1,201,000,000 [1]	-5.0%	-9.3%	-3.1%	$1,420,000,000	$1,565,000,000	80.3%	76.7%
45	GameStop Corp.	$1,080,000,000 [1]	$864,000,000 [1]	25.0%	4.0%	3.4%	$9,808,690,000	$9,296,000,000	11.0%	9.3%
49	J. Crew Group Inc.	$972,000,000 [1]	$900,000,000	8.0%	-8.0%	-1.0%	$2,505,800,000	$2,579,695,000	38.8%	34.9%
50	Foot Locker Inc.	$941,300,000 [1]	$865,300,000 [1]	8.8%	8.5%	8.0%	$7,410,000,000	$7,151,000,000	12.7%	12.1%
52	Restoration Hardware	$896,422,410 [1]	$766,173,000 [1]	17.0%	7.0%	20.0%	$2,170,000,000	$1,867,000,000	41.3%	41.0%
54	BarnesandNoble.com	$886,012,156 [1]	$1,040,000,000 [1]	-14.8%	-1.9%	-5.8%	$6,069,500,000	$6,381,357,000	14.6%	16.3%
58	Abercrombie & Fitch Co.	$844,600,000 [1]	$823,700,000 [1]	2.5%	1.0%	-8.0%	$3,519,000,000	$3,744,000,000	24.0%	22.0%
62	Dick's Sporting Goods	$748,900,000 [1]	$626,900,000 [1]	19.5%	-0.2%	2.4%	$7,271,000,000	$6,814,479,000	10.3%	9.2%
63	American Eagle	$720,000,000 [1]	$600,000,000 [1]	20.0%	7.0%	-5.0%	$3,522,000,000	$3,282,867,000	20.4%	18.3%
74	REI	$552,000,000 [1]	$460,000,000 [1]	20.0%	7.0%	4.2%	$2,423,221,000	$2,200,000,000	22.8%	20.9%
76	Ascena Retail Group	$529,000,000 [1]	$450,000,000	17.6%	-1.0%	-2.0%	$4,820,000,000	$4,790,600,000	11.0%	9.4%
83	The Kroger Co.	$467,400,000 [1]	$410,000,000 [1]	14.0%	1.1%	4.2%	$109,830,000,000	$108,465,000,000	0.4%	0.4%
85	Chico's FAS Inc.	$458,490,000 [1]	$449,500,000 [1]	2.0%	-1.5%	0.0%	$2,642,309,000	$2,675,211,000	17.4%	16.8%
96	LuLuLemon Athletica	$386,900,000 [1]	$321,200,000	20.5%	8.0%	-1.0%	$2,060,523,000	$1,797,213,000	18.8%	17.9%
99	Express Inc.	$382,536,000	$354,200,000	8.0%	6.0%	-5.0%	$2,165,481,000	$2,165,481,000	17.7%	16.4%
102	CVS Caremark Corp.	$365,634,000 [1]	$329,400,000	11.0%	-5.0%	2.1%	$153,290,000,000	$139,367,000,000	0.2%	0.2%
103	AutoZone Inc.	$362,463,060	$343,144,000	5.6%	3.8%	2.8%	$10,190,000,000	$9,475,313,000	3.6%	3.6%
112	The Children's Place	$324,568,000 [1]	$279,800,000	16.0%	0.4%	0.4%	$1,725,777,000	$1,761,324,000	18.8%	15.9%
117	TJX Cos. Inc.	$309,450,000 [1]	$290,784,070 [1]	6.4%	5.0%	2.0%	$30,945,000,000	$29,078,000,000	1.0%	1.0%
	Total	$87,327,639,463	$79,108,188,054	10.4%	1.4%	1.4%	$1,509,743,301,000	$1,464,474,717,000	5.8%	5.4%

Source: Internet Retailer 2016 Top 500 Guide, company reports 1. Internet Retailer estimate
Many retailers include e-commerce in comparable store sales growth numbers

How E-Commerce Sales Compare to Physical Stores

Top 500 Rank	Retailer	Stores 2015	Stores 2014	Growth	2015 Total Store Sales	2014 Total Store Sales	Store Sales Growth	Avg. Store Sales 2015	No. of Stores Web Sales Represent
4	Walmart.com	11,527	11,453	0.6%	$468,430,000,000	$473,451,000,000	-1.1%	$40,637,633	337
5	Staples Inc.	1,885	1,963	-4.0%	$10,360,000,000	$11,592,000,000	-10.6%	$5,905,247	1,812
6	Macy's Inc.	900	838	7.4%	$20,869,000,000	$22,705,000,000	-8.1%	$27,094,272	229
7	The Home Depot Inc.	2,274	2,269	0.2%	$83,852,000,000	$79,414,000,000	5.6%	$34,999,559	133
8	Costco Wholesale Corp.	686	663	3.5%	$109,187,841,163	$106,473,285,795	2.5%	$160,593,191	28
9	Office Depot Inc.	1,564	1,745	-10.4%	$10,099,000,000	$11,796,000,000	-14.4%	$6,759,885	649
12	Best Buy Co. Inc.	1,731	1,779	-2.7%	$35,517,180,000	$36,799,000,000	-3.5%	$20,685,216	194
14	Sears Holdings Corp.	1,672	1,725	-3.1%	$20,000,000,000	$27,198,000,000	-26.5%	$15,766,957	222
18	Nordstrom Inc.	323	292	10.6%	$11,263,000,000	$10,744,000,000	4.8%	$36,794,521	77
19	Kohl's Corp.	1,164	1,162	0.2%	$16,385,600,000	$16,855,000,000	-2.8%	$14,505,164	194
20	Gap Inc.	3,721	3,709	0.3%	$13,267,000,000	$13,932,000,000	-4.8%	$3,756,269	674
21	Williams-Sonoma Inc.	618	601	2.8%	$2,453,000,000	$2,328,000,000	5.4%	$3,873,544	651
22	Target Corp.	1,792	1,790	0.1%	$71,281,310,000	$70,729,932,000	0.8%	$39,513,928	63
27	Lowe's Cos. Inc.	1,857	1,840	0.9%	$57,240,000,000	$54,935,000,000	4.2%	$29,855,978	59
28	L Brands Inc.	3,005	2,969	1.2%	$11,018,276,000	$9,826,100,000	12.1%	$3,309,566	508
33	J.C. Penney Co. Inc.	1,021	1,060	-3.7%	$11,214,800,000	$11,037,000,000	1.6%	$10,412,264	136
35	Toys 'R' Us Inc.	1,861	1,831	1.6%	$10,449,000,000	$11,170,000,000	-6.5%	$6,100,492	222
36	Neiman Marcus	90	85	5.9%	$3,756,600,000	$3,655,575,221	2.8%	$43,006,767	31
37	Walgreen Co.	8,173	8,330	-1.9%	$102,161,500,000	$75,275,000,000	35.7%	$9,036,615	142
39	Urban Outfitters Inc.	572	539	6.1%	$2,190,879,000	$2,369,197,000	-7.5%	$4,395,542	286
44	Lands' End	246	255	-3.5%	$279,050,000	$364,000,000	-23.3%	$1,427,451	799
45	GameStop Corp.	6,900	6,664	3.5%	$8,728,690,000	$8,432,000,000	3.5%	$1,265,306	854
49	J. Crew Group Inc.	551	504	9.3%	$1,533,800,000	$1,679,695,000	-8.7%	$3,332,728	292
50	Foot Locker Inc.	3,383	3,423	-1.2%	$6,468,700,000	$6,285,700,000	2.9%	$1,836,313	513
52	Restoration Hardware	68	68	0.0%	$1,273,577,590	$1,100,827,000	15.7%	$16,188,632	55
54	BarnesandNoble.com	1,371	1,361	0.7%	$5,183,487,844	$5,341,357,000	-3.0%	$3,924,583	226
58	Abercrombie & Fitch Co.	932	969	-3.8%	$2,674,400,000	$2,920,300,000	-8.4%	$3,013,725	280
62	Dick's Sporting Goods	736	694	6.1%	$6,522,100,000	$6,187,579,000	5.4%	$8,915,820	84
63	American Eagle	1,047	1,056	-0.9%	$2,802,000,000	$2,682,867,000	4.4%	$2,540,594	283
74	REI	143	140	2.1%	$1,871,221,000	$1,740,000,000	7.5%	$12,428,571	44
76	Ascena Retail Group	3,896	3,895	0.0%	$4,291,000,000	$4,340,600,000	-1.1%	$1,114,403	475
83	The Kroger Co.	2,778	2,625	5.8%	$109,362,600,000	$108,055,000,000	1.2%	$41,163,810	11
85	Chico's FAS Inc.	1,518	1,547	-1.9%	$2,183,819,000	$2,225,711,000	-1.9%	$1,438,727	319
96	LuLuLemon Athletica Inc.	354	302	17.2%	$1,673,623,000	$1,476,013,000	13.4%	$4,887,460	79
99	Express Inc.	653	641	1.9%	$1,782,945,000	$1,811,281,000	-1.6%	$2,825,711	135
102	CVS Caremark Corp.	7,897	7,981	-1.1%	$152,924,366,000	$139,037,600,000	10.0%	$17,421,075	21
103	AutoZone Inc.	5,141	5,391	-4.6%	$9,827,536,940	$9,132,169,000	7.6%	$1,693,966	214
112	The Children's Place	1,069	1,097	-2.6%	$1,401,209,000	$1,481,524,000	-5.4%	$1,350,523	240
117	TJX Cos. Inc.	3,614	3,395	6.5%	$30,635,550,000	$28,787,215,930	6.4%	$8,479,298	36
	Total	88,733	88,651	0.1%	$1,422,415,661,537	$1,385,366,528,946	2.7%	$15,627,196	5,588

Source: Internet Retailer 2016 Top 500 Guide, company reports

Corporate Information

Neil Ashe, President/CEO, Global E-Commerce & Technology

850 Cherry Ave.
San Bruno, CA 94066
650-837-5000

Financial

2015 Web Sales: $13,700,000,000
2014 Web Sales: $12,200,000,000
Growth: 12.3%

2015 Total Sales: $482,130,000,000
2014 Total Sales: $482,222,000,000
Growth: 0.0%

E-Commerce As a % of Total Sales
2015: 2.80%
2014: 2.50%

Store Visit Findings

A new mobile app feature for online order pickup alerts a shopper when his order is ready. Upon arrival in the store, the app recognizes the shopper's location and sends him a notification to proceed to the pickup area. A clerk calls shopper's name when order is ready.

Inside Wal-Mart stores, shoppers can use their voice, text or barcode scanner to add products to the app's List, which then can direct shoppers to precise locations of those items, by aisle.

Inventory visibility was often out of date or missing, as many items showed up as Unknown in terms of their in-stock status. Map of store would be helpful.

Omnichannel Strategy

The retailer has invested $3.4 billion in improvements to Walmart.com and its global e-commerce business since 2012, and says it will spend another $2 billion through 2017. Consumers can pick up Walmart.com orders at all U.S. Wal-Mart stores.

"We will be the first to deliver a seamless shopping experience at scale. Only Wal-Mart can bring together a dense network of stores, supported by a supply chain and systems like ours, with an emerging set of digital capabilities to win with customers."—— Doug McMillon, Wal-Mart's CEO, in a conference call ahead of the 2015 holiday season.

"Customers who start using online grocery spend nearly 50% more than similar customers who shop only in stores. This is the customer we're going after—the shopper in our 'sweet spot' who accesses Wal-Mart in multiple ways." —Doug McMillion, Q3 2015 earnings call

Walmart.com

2016 Top 500 Rank: 4
Website Launched: 2000
Merchant Category:
Mass Merchant

Omnichannel Capabilities

- ✔ Beacons
- Location-Based Offers
- ✔ Barcodes on Products
- In-store Mobile Promotions
- Mobile Devices for Store Associates
- ✔ Ship from Store

- Wayfinding
- ✔ Store Locator
- In-store Stock Counts
- Online Price Matching
- Reserve Online Pick Up in Store
- ✔ Return to Store

- ✔ Geofencing
- ✔ Directions
- ✔ Registry On App
- In-store Kiosks
- ✔ Buy Online Pick Up in Store

1. Internet Retailer Estimate

Corporate Information

Faisal Masud, Chief Digital Officer/EVP, Global E-Commerce

500 Staples Drive
Framingham, MA 01702
508-253-5000

Financial

2015 Web Sales: $10,700,000,000
2014 Web Sales: $10,900,000,000
Growth: -1.8%

2015 Total Sales: $21,060,000,000
2014 Total Sales: $22,492,000,000
Growth: -6.4%

E-Commerce As a % of Total Sales
2015: 50.80%
2014: 48.50%

Store Visit Findings

In addition to daily deals and automatic reorder features found online at Staples.com, the mobile app provided exclusive offers and showed product inventory inside the store.

Coupons were available in the mobile app and on the mobile-optimized website for store or online use. The website offers one-hour pickup of web orders.

Store parking lot had a parking spot reserved for online order pickup.

Omnichannel Strategy

The company's omnichannel sales programs produced nearly $500 million in sales in 2015 through its in-store Staples.com kiosks and click-and-collect features like buy online, pick up in store, CEO Ron Sargent told analysts on its Q4 earnings call. "During the fourth quarter we began piloting our newest omnichannel capability, ship from store. Ship from store improves the customer experience, it allows us to manage our inventory more efficiently and positions us for same-day delivery. Early results are encouraging," he said.

One of Staples' top priorities for 2016 is to improve traffic in stores and online. "In stores, we're focused on improving customer conversion, accelerating growth in our services business and building our omnichannel momentum," Sargent told analysts. "Online, we'll continue to sharpen our pricing, ensure that customers fully understand the value that Staples provides and expand our assortment of products and services."

Staples Inc.

2016 Top 500 Rank: 5
Website Launched: 1998
Merchant Category:
Office Supplies

Omnichannel Capabilities

	Beacons		Wayfinding		Geofencing
✔	Location-Based Offers	✔	Store Locator	✔	Directions
✔	Barcodes on Products	✔	In-store Stock Counts		Registry On App
	In-store Mobile Promotions		Online Price Matching	✔	In-store Kiosks
	Mobile Devices for Store Associates	✔	Reserve Online Pick Up in Store	✔	Buy Online Pick Up in Store
✔	Ship from Store	✔	Return to Store		

1. Internet Retailer Estimate

INTERNET RETAILER

Corporate Information

Robert Harrison, Chief Omnichannel Officer

680 Folsom St.
San Francisco, CA 94107
513-579-7000

Financial

2015 Web Sales: $6,210,000,000[1]
2014 Web Sales: $5,400,000,000[1]
Growth: 15.0%

2015 Total Sales: $27,079,000,000
2014 Total Sales: $28,105,000,000
Growth: -3.7%

E-Commerce As a % of Total Sales
2015: 22.90%
2014: 19.20%

Omnichannel Strategy

The largest growth in investment in 2016 will be in digital initiatives and better serving consumers who shop both online and in stores, CFO Karen Hoguet told analysts at the end of 2015. "There's a lot of investment being made in digital growth, which, by the way, is not all digital sales. Part of that is omnichannel investments, so the customers can easily go back and forth between stores and the Internet."

Those investments will include improving Macy's mobile commerce site and mobile app, such as by adding additional navigational filters so mobile shoppers can more easily find what they need.

Macy's will shutter 36 stores this year, on top of the four it closed at the end of last year—more than 5% of its outlets. It will also lay off at least 4,500 employees.

Macy's Inc.

2016 Top 500 Rank: 6
Website Launched: 1998
Merchant Category:
Apparel/Accessories

Store Visit Findings

Online order pickups are located at a designated area of the store.

While shopping at Macy's customers can use the mobile app to scan barcodes and QR codes on merchandise for pricing information. However, if the store is running a store-wide sale for designated days, the barcode reader does not figure in the additional discount until checkout at the register.

If a shopper finds a product for less online (while looking on their mobile phone), Macy's will price match in store with the exception of cosmetics, skincare and fragrance.

Omnichannel Capabilities

- ✔ Beacons
- Location-Based Offers
- ✔ Barcodes on Products
- ✔ In-store Mobile Promotions
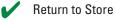- ✔ Mobile Devices for Store Associates
- ✔ Ship from Store

- Wayfinding
- ✔ Store Locator
- ✔ In-store Stock Counts
- ✔ Online Price Matching
- ✔ Reserve Online Pick Up in Store
- ✔ Return to Store

- ✔ Geofencing
- ✔ Directions
- ✔ Registry On App
- ✔ In-store Kiosks
- ✔ Buy Online Pick Up in Store

1. Internet Retailer Estimate

IR INTERNET RETAILER

Corporate Information

Kevin Hofmann, SVP/President, Online

2455 Paces Ferry Road
Atlanta, GA 30339
770-433-8211

Financial

2015 Web Sales: $4,668,000,000
2014 Web Sales: $3,762,000,000
Growth: 24.1%

2015 Total Sales: $88,520,000,000
2014 Total Sales: $83,176,000,000
Growth: 6.4%

E-Commerce As a % of Total Sales
2015: 5.30%
2014: 4.50%

The Home Depot Inc.

2016 Top 500 Rank: 7
Website Launched: 2000
Merchant Category:
Hardware/Home Improvement

Omnichannel Strategy

At the end of 2014 about 25%, or nearly $1 billion, of Home Depot's total web sales of $3.76 billion came from its buy online, pickup in store and buy online ship to-store program, the company says. Through new and expanded initiatives, including equipping store associates with web-enabled tablets that allow them to complete an order online if an item is not in stock, the percentage of e-commerce sales that involve a Home Depot store increased to about 40% by the end of September 2015, president of online Kevin Hofmann says. "We have 300,000 store associates, and that's an incredible asset to utilize."

Home Depot plans to expand a pilot deliver-from-store program to all stores in 2016. Once it does, the retailer will be able to reach 90% of its U.S. e-commerce customers in two business days or less via ground delivery services.

Home Depot operates about 1,900 stores in the United States. In its ship-from-store initiative, customers will be able to select a two- to four-hour delivery window for products ordered online, for an additional fee.

Store Visit Findings

Home Depot offers multiple services including in-store access to its website via a computer positioned near its pick up in store desk and return to store, and continues to roll out a ship from store service enabling shoppers to pick a two- to four-hour delivery window from one of its 1,900 stores.

Home Depot's mobile app is among the most versatile of those retailers tested with geofencing that enables the app to detect when a shopper using the app enters the parking lot. Its "In-store Experience" button then lists features such as a store map, the latest ad flyer and a product locator. Feature showing shopper's location in the store was not functioning.

Shoppers also can scan shelf barcodes to pull up detailed product information on the company's website that includes store inventory, and also can search by voice commands.

Omnichannel Capabilities

- ✔ Beacons
- ✔ Location-Based Offers
- ✔ Barcodes on Products
-   In-store Mobile Promotions
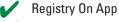-   Mobile Devices for Store Associates
- ✔ Ship from Store

- ✔ Wayfinding
- ✔ Store Locator
- ✔ In-store Stock Counts
-   Online Price Matching
-   Reserve Online Pick Up in Store
- ✔ Return to Store

- ✔ Geofencing
- ✔ Directions
-   Registry On App
- ✔ In-store Kiosks
- ✔ Buy Online Pick Up in Store

1. Internet Retailer Estimate

Corporate Information

Don Burdick, SVP, Global E-Commerce & Travel

999 Lake Drive
Issaquah, WA 98027
425-313-8100

Financial

2015 Web Sales: $4,472,158,837
2014 Web Sales: $3,738,714,205
Growth: 19.6%

2015 Total Sales: $113,660,000,000
2014 Total Sales: $110,210,000,000
Growth: 3.1%

E-Commerce As a % of Total Sales
2015: 3.90%
2014: 3.40%

Store Visit Findings

Basically no omnichannel capabilities, though its mobile app shows nearest store and gives clippable coupons.

Limited mobile capabilities, as Costco doesn't allow purchases on its mobile app.

Omnichannel Strategy

Costco is spending to modernize its technology and infrastructure, but it seems in no particular hurry to invest in omnichannel capabilities. For example, Costco still doesn't let customers buy things online and pick them up in a store.

"We want to do everything possible to get them in the store and not just come and pick something up," Richard Galanti, CFO, told analysts in March 2016, explaining why he didn't expect to roll out in-store pickup anytime soon. About e-commerce in general, he said: "Some out there would argue it's about time. But we're getting to it."

Costco Wholesale Corp.

2016 Top 500 Rank: 8
Website Launched: 1998
Merchant Category:
Mass Merchant

Omnichannel Capabilities

Beacons	Wayfinding	Geofencing
Location-Based Offers	✔ Store Locator	Directions
Barcodes on Products	In-store Stock Counts	Registry On App
In-store Mobile Promotions	Online Price Matching	In-store Kiosks
Mobile Devices for Store Associates	Reserve Online Pick Up in Store	Buy Online Pick Up in Store
Ship from Store	✔ Return to Store	

1. Internet Retailer Estimate

INTERNET RETAILER

Corporate Information

Mike Kirschner, EVP, E-Commerce

6600 N. Military Trail
Boca Raton, FL 33496
561-438-4800

Financial

2015 Web Sales: $4,386,000,000[1]
2014 Web Sales: $4,300,000,000[1]
Growth: 2.0%

2015 Total Sales: $14,485,000,000
2014 Total Sales: $16,096,000,000
Growth: -10.0%

E-Commerce As a % of Total Sales
2015: 30.30%
2014: 26.70%

Store Visit Findings

Mobile app has "In-Store" mode when shopper enters a store, which has quick access to barcode scanner, reviews and more.

In-Store mode allows for rewards points/gift certificates to be used at checkout.

App saves items that have been scanned by the customer and the mobile app's home page reflects categories viewed.

Omnichannel Strategy

Office Depot Inc. was the only retailer among 16 evaluated that successfully fulfilled 100% of orders placed between Black Friday (the Friday after Thanksgiving) and Christmas Eve 2015, according to a StellaService study.

For store pickup of online orders, Office Depot consistently gives consumers a one-hour window for availability.

Office Depot Inc.

2016 Top 500 Rank: 9
Website Launched: 1997
Merchant Category:
Office Supplies

Omnichannel Capabilities

Beacons	Wayfinding	✔ Geofencing
Location-Based Offers	✔ Store Locator	✔ Directions
✔ Barcodes on Products	✔ In-store Stock Counts	Registry On App
In-store Mobile Promotions	✔ Online Price Matching	In-store Kiosks
Mobile Devices for Store Associates	✔ Reserve Online Pick Up in Store	✔ Buy Online Pick Up in Store
Ship from Store	✔ Return to Store	

1. Internet Retailer Estimate

INTERNET RETAILER

Corporate Information

Mary Lou Kelley, President, E-Commerce

7601 Penn Ave. South
Richfield, MN 55423
612-291-1000

Financial

2015 Web Sales: $4,010,820,000[1]
2014 Web Sales: $3,540,000,000[1]
Growth: 13.3%

2015 Total Sales: $39,528,000,000
2014 Total Sales: $40,340,000,000
Growth: -2.0%

E-Commerce As a % of Total Sales
2015: 10.10%
2014: 8.80%

Best Buy Co. Inc.

2016 Top 500 Rank: 12
Website Launched: 1998
Merchant Category:
Computers/Electronics

Store Visit Findings

Employees in certain departments (phones, computers, etc.) carry tablets and/or smartphones to show more product information to customers.

Shoppers can use the mobile app to find trade-in values for old/used products at their local Best Buy location.

Barcode scanner allows shoppers to add items to their wish list or registry as they browse in the store.

Omnichannel Strategy

In April 2016, Best Buy added same-day delivery in 11 more markets, and the retailer says orders will be fulfilled by delivery service Deliv from store inventory. "Our stores also play a key role in this pilot because same-day delivery orders aren't filled at a warehouse but at one of the more than 165 Best Buy stores in the Deliv markets," says a Best Buy spokesman.

Examples of other recent omnichannel advances include the successful Q4 2015 launch of BlueAssist, which allows customers to simply shake their device to get live help with products and orders through chat, call and email.

In Q4 2015, Best Buy closed 13 large-format stores and 17 Best Buy Mobile stores.

Omnichannel Capabilities

✔ Beacons
Location-Based Offers
✔ Barcodes on Products
In-store Mobile Promotions
✔ Mobile Devices for Store Associates
✔ Ship from Store

Wayfinding
✔ Store Locator
✔ In-store Stock Counts
✔ Online Price Matching
✔ Reserve Online Pick Up in Store
✔ Return to Store

✔ Geofencing
✔ Directions
✔ Registry On App
In-store Kiosks
✔ Buy Online Pick Up in Store

1. Internet Retailer Estimate

INTERNET RETAILER

Corporate Information

Leena Munjal, SVP, Customer Experience & Integrated Retail

3333 Beverly Road
Hoffman Estates, IL 60179
847-286-2500

Financial

2015 Web Sales: $3,500,000,000[1]
2014 Web Sales: $4,000,000,000[1]
Growth: -12.5%

2015 Total Sales: $23,500,000,000[1]
2014 Total Sales: $31,198,000,000
Growth: -24.7%

E-Commerce As a % of Total Sales
2015: 14.90%
2014: 12.80%

Sears Holdings Corp.

2016 Top 500 Rank: 14
Website Launched: 1998
Merchant Category:
Mass Merchant

Omnichannel Strategy

Leena Munjal, SVP of customer experience and integrated retail, says both online sales and online-influenced offline sales make up 74% of Sears' revenue. Mobile commerce in particular is growing fast for Sears, with sales completed through mobile devices up 100% year over year, while a third of all visits to Sears Holdings' websites coming from mobile devices, up 46% year over year.

The latest of Sears' omnichannel capabilities is its in-vehicle pick-up, rolled out in 2015, which allows shoppers the option to drive to a store and pick up an online order without leaving their cars.

Sears' Meet With An Expert feature allows shoppers to research big ticket items online, save that research, and then schedule a time to meet with an expert in a store to learn more; Reserve It enables shoppers to place apparel on hold and then come into the store to try it on without having to buy it.

Store Visit Findings

Sears uses geofencing technology to detect when shoppers enter the parking lot. "Thanks for coming to Oak Brook Center! Would you like in-store mobile notifications?"

Upon checkout, sales associate asks shopper if she wants to receive mobile notifications, for which she'll get $5 off first $50 spent on the app. Upon agreeing to receive in-store mobile notifications, nothing received from Sears once shopper entered the store.

In-app barcode scanner for gift registry works well. Designated parking spots are reserved for vehicle pickup.

Omnichannel Capabilities

- ✔ Beacons
- ✔ Location-Based Offers
- ✔ Barcodes on Products
- ✔ In-store Mobile Promotions
- ✔ Mobile Devices for Store Associates
- ✔ Ship from Store
- ✔ Wayfinding
- ✔ Store Locator
- ✔ In-store Stock Counts
- ✔ Online Price Matching
- ✔ Reserve Online Pick Up in Store
- ✔ Return to Store
- ✔ Geofencing
- ✔ Directions
- ✔ Registry On App
- ✔ In-store Kiosks
- ✔ Buy Online Pick Up in Store

1. Internet Retailer Estimate

INTERNET RETAILER

Corporate Information

Kirk Beardsley, EVP, Information
Technology

1617 Sixth Ave.
Seattle, WA 98101
206-628-2111

Financial

2015 Web Sales: $2,832,000,000
2014 Web Sales: $2,356,000,000
Growth: 20.2%

2015 Total Sales: $14,095,000,000
2014 Total Sales: $13,110,000,000
Growth: 7.5%

E-Commerce As a % of Total Sales
2015: 20.10%
2014: 18.00%

Store Visit Findings

Store associates carry mobile devices
for access to Lookbooks and additional
product information.

Researcher received no mobile
notifications once near or inside of
stores.

Store associates carry mobile point-of-
sale devices, which allow customers to
check out and pay for items.

Omnichannel Strategy

In its Q4 2014 conference call, Nordstrom
president Blake Nordstrom told
analysts that in the year since it had
begun allowing customers to return
purchases from HauteLook.com and
NordstromRack.com to Rack stores,
"This singular capability drove nearly
1 million incremental trips to our
Rack stores."

In May 2015, Nordstrom began testing
curbside pickup in 20 stores. The
curbside test is an offshoot of the retailer's
buy online, pick up in store program, which
launched in 2008. Having that program in place,
the spokesman says, makes it easier for Nordstrom to
test the drive-up option.

"In technology, we are planning productivity improvements by focusing on
fewer, more meaningful projects, such as a scalable merchandising solution
that supports seamless integration across multiple channels. In fulfillment,
we are assessing ways to improve efficiencies around delivering product to
customers which is expected to generate lower shipping costs. We are also
refining our online assortments with a focus on unit profitability." –Michael
Koppel, CFO, in a Q4 2015 earnings conference call.

Nordstrom Inc.

2016 Top 500 Rank: 18
Website Launched: 1998
Merchant Category:
Apparel/Accessories

Omnichannel Capabilities

✔ Beacons
   Location-Based Offers
✔ Barcodes on Products
✔ In-store Mobile Promotions
✔ Mobile Devices for Store Associates
✔ Ship from Store

   Wayfinding
✔ Store Locator
✔ In-store Stock Counts
✔ Online Price Matching
✔ Reserve Online Pick Up in Store
✔ Return to Store

✔ Geofencing
✔ Directions
   Registry On App
   In-store Kiosks
✔ Buy Online Pick Up in Store

INTERNET RETAILER

Corporate Information
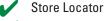
Sona Chawla, COO

N56 W17000 Ridgewood Drive
Menomonee Falls, WI 53051
262-703-7000

Financial

2015 Web Sales: $2,818,400,000[1]
2014 Web Sales: $2,168,000,000
Growth: 30.0%

2015 Total Sales: $19,204,000,000
2014 Total Sales: $19,023,000,000
Growth: 1.0%

E-Commerce As a % of Total Sales
2015: 14.70%
2014: 11.40%

Kohl's Corp.

2016 Top 500 Rank: 19
Website Launched: 2001
Merchant Category:
Apparel/Accessories

Omnichannel Strategy

"Creating hyper-local relevant experiences is very important. Because of mobile, customers will demand highly relevant information at this moment in this location," Kohl's CIO Ratnakar Lavu said in early 2015. One way to accomplish hyper-local is through sensing technologies such as beacons, a technology Kohl's is looking at. "We are testing beacons in 22 stores under different scenarios to understand shopper behavior. Customers will opt in to receive messages if you are truthful, transparent and tell them the value you will provide. We haven't cracked the nut on beacons."

In early 2015, Kohl's rolled out its buy online, pick up in store capabilities in nearly 1,200 stores after a successful 100 store pilot program during the 2014 holidays.

In contrast to other retailers, Kohl's implemented the more operationally complex function of ship from store before it began its pick up in stores pilot program in 2015. Pick up in store was tested at 100 stores in Chicago, Milwaukee, San Diego and central Pennsylvania in 2014.

Store Visit Findings

Store manager says Kohl's aims to have online orders ready for store pickup within three hours. A photo scanning feature on the merchant's app identifies product attributes to match up with online information but it's hit or miss. A grey cardigan sweater that was scanned was misidentified as a children's backpack.

The company will be reviewing best practices for location of buy online, pick up in store designated areas as store manager reported that the line was at times 25 deep during peak pick up hours over the holiday season. Researcher's local store offered a designated prime parking space for buy online pick up in store customers.

While buy online pick up in store can save time in theory, it can also make for a frustrating experience if a customer isn't happy with an item ordered. Since a credit card is immediately charged when an order confirmation is sent, customers must stand in line a second time if they want to return any part of their order.

Omnichannel Capabilities

- ✔ Beacons
- Location-Based Offers
- ✔ Barcodes on Products
- In-store Mobile Promotions
- Mobile Devices for Store Associates
- ✔ Ship from Store

- Wayfinding
- ✔ Store Locator
- ✔ In-store Stock Counts
- Online Price Matching
- ✔ Reserve Online Pick Up in Store
- ✔ Return to Store

- ✔ Geofencing
- ✔ Directions
- ✔ Registry On App
- ✔ In-store Kiosks
- ✔ Buy Online Pick Up in Store

1. Internet Retailer Estimate

INTERNET RETAILER

Corporate Information

Paul Chapman, EVP/CIO

2 Folsom St.
San Francisco, CA 94105
650-952-4400

Financial

2015 Web Sales: $2,530,000,000
2014 Web Sales: $2,503,000,000
Growth: 1.1%

2015 Total Sales: $15,797,000,000
2014 Total Sales: $16,435,000,000
Growth: -3.9%

E-Commerce As a % of Total Sales
2015: 16.00%
2014: 15.20%

Omnichannel Strategy

Gap grew online sales 1% in 2015, while store sales fell. "With a year of transition behind us, I'm confident that we have the right strategies in place to fuel our long-term growth," Gap CEO Art Peck said in a statement accompanying the 2015 earnings release. "Our brands are strengthening their connection with customers through digital, and especially in mobile, enhancements that create richer experiences whether shopping online or in stores, or any combinations of channels."

Store Visit Findings

Mobile app enables shoppers to look for merchandise by style and size and find which store locations have it in stock. App also includes a store locator and a barcode scanner for in-store scanning.

App logs purchase history, so customers can keep track of shipping and returns.

Gap tracks rewards and offers so customers can tap the app and see accrued Gap Cash, and when it can be used.

Gap Inc.

2016 Top 500 Rank: 20
Website Launched: 1997
Merchant Category:
Apparel/Accessories

Omnichannel Capabilities

Beacons	Wayfinding	Geofencing
Location-Based Offers	✔ Store Locator	✔ Directions
✔ Barcodes on Products	In-store Stock Counts	Registry On App
In-store Mobile Promotions	Online Price Matching	In-store Kiosks
Mobile Devices for Store Associates	✔ Reserve Online Pick Up in Store	Buy Online Pick Up in Store
Ship from Store	✔ Return to Store	

1. Internet Retailer Estimate

INTERNET RETAILER

Corporate Information

John Strain, EVP/Chief Digital & Technology Officer

3250 Van Ness Ave.
San Francisco, CA 94109
415-421-7900

Financial

2015 Web Sales: $2,523,000,000
2014 Web Sales: $2,371,000,000
Growth: 6.4%

2015 Total Sales: $4,976,000,000
2014 Total Sales: $4,699,000,000
Growth: 5.9%

E-Commerce As a % of Total Sales
2015: 50.70%
2014: 50.50%

Store Visit Findings

Very limited omnichannel capabilities. Online orders returned in-store takes a while to be credited, as the store ships the item to a fulfillment center, and no credit is awarded until it arrives.

Williams-Sonoma doesn't offer a mobile app that allows customers to make an in-app purchase, they do offer apps that don't utilize e-commerce: a gift registry, a recipe of the day app and a smart thermometer app.

Omnichannel Strategy

Limited omnichannel capabilities, with no option for picking up online orders in store. Its desktop site has a check on in-stock availability.

While Williams-Sonoma doesn't offer a mobile app that allows customers to make an in-app purchase, they do offer apps that don't utilize e-commerce: a gift registry, a recipe of the day app and a smart thermometer app.

Williams-Sonoma Inc.

2016 Top 500 Rank: 21
Website Launched: 1999
Merchant Category:
Housewares/Home Furnishings

Omnichannel Capabilities

Beacons	Wayfinding	Geofencing
Location-Based Offers	Store Locator	Directions
Barcodes on Products	In-store Stock Counts	✔ Registry On App
In-store Mobile Promotions	✔ Online Price Matching	In-store Kiosks
Mobile Devices for Store Associates	Reserve Online Pick Up in Store	Buy Online Pick Up in Store
Ship from Store	✔ Return to Store	

1. Internet Retailer Estimate

INTERNET RETAILER

Corporate Information

Jason Goldberger, President,
Target.com & Mobile

1000 Nicollet Mall
Minneapolis, MN 55403
612-304-6073

Financial

2015 Web Sales: $2,508,690,000
2014 Web Sales: $1,888,068,000
Growth: 32.9%

2015 Total Sales: $73,790,000,000
2014 Total Sales: $72,620,000,000
Growth: 1.6%

E-Commerce As a % of Total Sales
2015: 3.40%
2014: 2.60%

Store Visit Findings

Target's mobile app includes a barcode scanner for in-store merchandise and has a separate section where shoppers can choose mobile coupons that are applied at checkout.

The mobile app also includes the Target Cartwheel savings program where a customer chooses from a list of products for a 5-50% savings and the discounts are applied at checkout.

For those without the mobile app, Cartwheel coupons can be accessed from a computer and customers can print out those coupon barcodes to bring to a store location.

Omnichannel Strategy

Target Corp.'s 460 stores with fulfillment capabilities handled 30% of the retailer's total e-commerce sales last year and 50% of online electronics orders in Q4 2015, CEO Brian Cornell says.

All of Target's stores have offered in-store order pickup since 2013. Target has said that consumers who order online and request in-store pickup account for 15% of Target.com's order volume year-round.

By turning stores into mini e-commerce distribution centers, retail chain Target Corp. has improved the speed at which customers receive online orders. The percentage of online orders delivered by Target within two days increased to 26% from August 2014 to October 2015 from 2% during the period of April 2012 to July 2014, according to a report from customer service monitor StellaService.

Target Corp.

2016 Top 500 Rank: 22
Website Launched: 1999
Merchant Category:
Mass Merchant

Omnichannel Capabilities

- ✔ Beacons
- ✔ Location-Based Offers
- ✔ Barcodes on Products
- ✔ In-store Mobile Promotions
- ✔ Mobile Devices for Store Associates
- ✔ Ship from Store

- ✔ Wayfinding
- ✔ Store Locator
- ✔ In-store Stock Counts
- ✔ Online Price Matching
- Reserve Online Pick Up in Store
- ✔ Return to Store

- ✔ Geofencing
- ✔ Directions
- ✔ Registry On App
- In-store Kiosks
- ✔ Buy Online Pick Up in Store

1. Internet Retailer Estimate

INTERNET RETAILER

Corporate Information

Brent Kirby, Chief Omnichannel Officer

1000 Lowe's Blvd.
Mooresville, NC 28117
704-758-1000

Financial

2015 Web Sales: $1,770,000,000
2014 Web Sales: $1,265,000,000[1]
Growth: 39.9%

2015 Total Sales: $59,010,000,000
2014 Total Sales: $56,223,000,000
Growth: 5.0%

E-Commerce As a % of Total Sales
2015: 3.00%
2014: 2.20%

Store Visit Findings

The home improvement merchant's mobile app activates on arrival in the parking lot. After enabling access to phone camera, shopper can scan barcode to get product information, including customer reviews and store inventory levels.

Product information offers store pickup or "truck delivery," the latter referring to buy online and ship from store. Ship and arrival dates generally a day apart, but was some confusion with displayed arrival date occurring the day before shipping on some products.

The mobile app shows product location on a store map, and shows aisle and bin numbers, but does not map the route to the product.

Omnichannel Strategy

"Across the enterprise, we strive to be a customer-centric omnichannel company. So we'll continue to enhance our omnichannel capabilities. Evolving from a multichannel offering to an omnichannel experience where all of our channels work in concert with one another, we will support customers at every step of their home improvement journey and build greater affinity for the Lowe's brand. This strategic framework along with our efforts to improve our productivity and profitability give us confidence in our business outlook for 2016." –Robert Niblock, CEO

"As customers engage in both indoor and outdoor projects, we've leveraged our omnichannel capabilities to help them achieve great results, not only in our stores and online, but also through our project specialists who meet the customers in their homes." –Michael Jones, chief customer officer

More than 80% of Lowe's customers start shopping for appliances online, COO Rick Damron says.

Lowe's Cos. Inc.

2016 Top 500 Rank: 27
Website Launched: 1998
Merchant Category:
Hardware/Home Improvement

Omnichannel Capabilities

Beacons	Wayfinding	✔ Geofencing
Location-Based Offers	✔ Store Locator	✔ Directions
✔ Barcodes on Products	✔ In-store Stock Counts	Registry On App
In-store Mobile Promotions	Online Price Matching	In-store Kiosks
✔ Mobile Devices for Store Associates	Reserve Online Pick Up in Store	✔ Buy Online Pick Up in Store
✔ Ship from Store	✔ Return to Store	

Corporate Information

Miles McManus, SVP, Digital & Innovation, Victoria's Secret

Three Limited Pkwy.
Columbus, OH 43230
614-415-7000

Financial

2015 Web Sales: $1,681,724,000[1]
2014 Web Sales: $1,628,000,000[1]
Growth: 3.3%

2015 Total Sales: $12,700,000,000
2014 Total Sales: $11,454,000,000
Growth: 10.9%

E-Commerce As a % of Total Sales
2015: 13.20%
2014: 14.20%

Store Visit Findings

Victoria's Secret's slick mobile app offers directions to local stores, store hours and contact information.

Its mobile app also features barcode scanning in stores. Scanner was not working during in-store test.

Omnichannel Strategy

L Brands' flagship Victoria's Secret Brand has limited omnichannel capabilities, as it does not offer buy online pick-up in store or visibility into local store inventory.

Many of its web- and store-based initiatives involve social media, such as a recent campaign that awarded consumers with a free gift for posting on Instagram a selfie outside of a store.

L Brands Inc.

2016 Top 500 Rank: 28
Website Launched: 1998
Merchant Category:
Apparel/Accessories

Omnichannel Capabilities

Beacons	Wayfinding	Geofencing
Location-Based Offers	✔ Store Locator	Directions
✔ Barcodes on Products	In-store Stock Counts	Registry On App
In-store Mobile Promotions	Online Price Matching	In-store Kiosks
Mobile Devices for Store Associates	Reserve Online Pick Up in Store	Buy Online Pick Up in Store
Ship from Store	✔ Return to Store	

1. Internet Retailer Estimate

Corporate Information

Michael Amend, EVP, Omnichannel

6501 Legacy Drive
Plano, TX 75024
972-431-1000

Financial

2015 Web Sales: $1,415,200,000[1]
2014 Web Sales: $1,220,000,000
Growth: 16.0%

2015 Total Sales: $12,630,000,000
2014 Total Sales: $12,260,000,000
Growth: 3.0%

E-Commerce As a % of Total Sales
2015: 11.20%
2014: 10.00%

J.C. Penney Co. Inc.

2016 Top 500 Rank: 33
Website Launched: 1994
Merchant Category:
Apparel/Accessories

Store Visit Findings

Researcher noted fast, easy pickup in store of online order.

The app's SCAN2SHOP feature allows customers to scan the barcode of a product in-store and see what colors, styles and sizes are available online. Shoppers can also scan items in print advertisements and buy the products in the app.

Shoppers can add products to their gift registries in-store using a mobile app, which is separate from its shopping app.

Omnichannel Strategy

In late 2015 CEO Marvin Ellison said the merchant's omnichannel efforts were paying off. "For example, over one period of our dotcom orders, customers took advantage of the ability to buy online and ship to any store they desire. This results in more physical trips to our brick and mortar locations with add-on purchases. This continues to present sales growth opportunities and is an important part of our omnichannel strategy."

"It's very clear to us that our effort to improve omnichannel functionality while increasing our online SKU count is key to our future."—Marvin Ellison, J.C. Penney CEO, in the company's Q3 2015 earnings call with investors.

J.C. Penney is still testing buy online, pick up in store capabilities, and it is not available in all stores at this time.

Omnichannel Capabilities

✔ Beacons
✔ Location-Based Offers
✔ Barcodes on Products
✔ In-store Mobile Promotions
   Mobile Devices for Store Associates
   Ship from Store

   Wayfinding
✔ Store Locator
✔ In-store Stock Counts
✔ Online Price Matching
✔ Reserve Online Pick Up in Store
✔ Return to Store

   Geofencing
✔ Directions
✔ Registry On App
✔ In-store Kiosks
✔ Buy Online Pick Up in Store

Corporate Information

Rich Lennox, Chief Marketing Officer

One Geoffrey Way
Wayne, NJ 07470
973-617-3500

Financial

2015 Web Sales: $1,353,000,000[1]
2014 Web Sales: $1,230,000,000
Growth: 10.0%

2015 Total Sales: $11,802,000,000
2014 Total Sales: $12,361,000,000
Growth: -4.5%

E-Commerce As a % of Total Sales
2015: 11.50%
2014: 10.00%

Store Visit Findings

The retailer introduced in 2015 new merchandise pick up kiosks at all Toys "R" Us stores. The kiosks allow customers to scan the barcode on their order confirmation e-mail printout or on the screen of their smartphone, and a store associate will retrieve the order, bring it to the kiosk and help to complete the purchase.

Omnichannel Strategy

In mid-2015, Toys 'R' Us announced plans to migrate off the eBay Enterprise technology platform and take e-commerce operations in-house. Fred Argir, senior vice president and chief digital officer at Toys R' Us said of the move: "We expect this will provide us with the flexibility needed to grow and expand in an omnichannel world, while allowing us to rapidly respond to changing customer dynamics and an ever competitive marketplace."

Toys 'R' Us also continues to develop omnichannel capabilities in China. The company in November 2015 introduced a "scan to buy" function in some stores that allows smaller stores to offer the full range of outdoor and baby products. A consumer can use her mobile phone to scan a QR code on a shelf to place an online order of products not available in the store.

Toys 'R' Us Inc.

2016 Top 500 Rank: 35
Website Launched: 1998
Merchant Category:
Toys/Hobbies

Omnichannel Capabilities

Beacons	Wayfinding	Geofencing
✔ Location-Based Offers	✔ Store Locator	✔ Directions
✔ Barcodes on Products	✔ In-store Stock Counts	✔ Registry On App
In-store Mobile Promotions	✔ Online Price Matching	✔ In-store Kiosks
Mobile Devices for Store Associates	✔ Reserve Online Pick Up in Store	✔ Buy Online Pick Up in Store
✔ Ship from Store	✔ Return to Store	

1. Internet Retailer Estimate

Corporate Information

John Koryl, President, Neiman Marcus Stores & Online

1 Marcus Square, 1618 Main St.
Dallas, TX 75201
214-743-7600

Financial

2015 Web Sales: $1,338,400,000
2014 Web Sales: $1,184,424,779[1]
Growth: 13.0%

2015 Total Sales: $5,095,000,000
2014 Total Sales: $4,484,000,000
Growth: 13.6%

E-Commerce As a % of Total Sales
2015: 26.30%
2014: 26.40%

Store Visit Findings

Neiman Marcus' mobile app allows fingerprint identification.

While the retailer recognizes when a shopper is near a physical store, no in-store notifications were sent in test-run.

A payment feature in the mobile app allows customers to pay directly through the app while making purchases in Neiman Marcus stores. Store associates can scan a QR code in customers' apps that is based on shoppers' payment information stored in the app.

Omnichannel Strategy

In April 2014, Neiman Marcus made several changes to its management structure to reflect a shift to better embrace "omnichannel retailing." The merchant launched buy online, ship to store capabilities in January 2014, buy online and pick up in store in July of that same year, and soon after began testing same-day delivery in three metropolitan markets.

The merchant has a number of other omnichannel-related features including Memory Mirror which uses virtual reality technology in stores to place multiple outfits on shoppers so they virtually try on clothing.

Snap. Find. Shop. Is a feature on the merchant's mobile app that enables consumers to take a photo of a product (anywhere) and find it at a local Neiman Marcus store.

Neiman Marcus

2016 Top 500 Rank: 36
Website Launched: 1999
Merchant Category:
Apparel/Accessories

Omnichannel Capabilities

✔ Beacons
✔ Location-Based Offers
✔ Barcodes on Products
  In-store Mobile Promotions
✔ Mobile Devices for Store Associates
✔ Ship from Store

  Wayfinding
✔ Store Locator
✔ In-store Stock Counts
  Online Price Matching
  Reserve Online Pick Up in Store
✔ Return to Store

✔ Geofencing
✔ Directions
  Registry On App
✔ In-store Kiosks
✔ Buy Online Pick Up in Store

1. Internet Retailer Estimate

INTERNET RETAILER

Financial

2015 Web Sales: $1,282,500,000[1]
2014 Web Sales: $1,125,000,000[1]
Growth: 14.0%

2015 Total Sales: $103,444,000,000
2014 Total Sales: $76,392,000,000
Growth: 35.4%

E-Commerce As a % of Total Sales
2015: 1.20%
2014: 1.50%

Corporate Information

Cherise Kay Ordlock, VP/GM, Digital
Commerce & Mobile Solutions

200 Wilmot Road
Deerfield, IL 60015
847-914-2500

Store Visit Findings

Walgreens sent researchers a welcome text once in a physical store. "Welcome to the State Street Walgreens" but no further on-site offers were sent during the visit. The store also sent an exit text, "Thank you for shopping at Walgreens State Street we hope you enjoyed your experience."

Walgreen's app tracks customer prescriptions and allows users to scan current medication for mobile refill and has a pill reminder for those scheduling multiple medications. Customers can also transfer prescriptions to other locations but have to have the Walgreens Balance Rewards card. A separate section for contact lenses gives customers the option to reorder lenses and shop for other eye health supplements.

Customers with the Balance Rewards card can track purchase history, track savings to date, and redeem savings and coupons at checkout.

Omnichannel Strategy

Whatever channel a consumer uses to interact with Walgreens, the retailer aims to deliver a high-quality experience, said Jason Fei, the retailer's senior director, architecture in mid-2015. "Customers use multiple devices. If a customer tries to find an item on her phone and can't find what she's looking for, she won't visit one of our stores. If she opens a [marketing] campaign email on her phone, as most consumers do, and the landing page doesn't render well, she won't convert. A bad experience on mobile can drag down anything. A mobile problem is a web problem."

Customers can return online purchases to any Walgreens store within 30 days and must have receipt with the exception of prescritions and contacts.

Walgreen Co.

2016 Top 500 Rank: 37
Website Launched: 1999
Merchant Category:
Food/Drug

Omnichannel Capabilities

Beacons	Wayfinding	✔ Geofencing
Location-Based Offers	✔ Store Locator	✔ Directions
✔ Barcodes on Products	✔ In-store Stock Counts	Registry On App
In-store Mobile Promotions	Online Price Matching	In-store Kiosks
Mobile Devices for Store Associates	Reserve Online Pick Up in Store	✔ Buy Online Pick Up in Store
Ship from Store	✔ Return to Store	

1. Internet Retailer Estimate

Financial

2015 Web Sales: $1,259,121,000[1]
2014 Web Sales: $953,880,000[1]
Growth: 32.0%

2015 Total Sales: $3,450,000,000
2014 Total Sales: $3,323,077,000
Growth: 3.8%

E-Commerce As a % of Total Sales
2015: 36.50%
2014: 28.70%

Corporate Information

Corinne Suchy, Executive Director, Global E-Commerce

5000 Broad St.
Philadelphia, PA 19112
215-454-5500

Store Visit Findings

Arriving on location, the store sends a push notification with a QR code to be scanned at checkout. This code becomes a shopper's customer ID. When asked if the ID tracks purchases or activity, the store associates could not answer.

The app is set up like a social network registration so users can have a profile with pictures, interests, hobbies, school affiliations, etc.

The store sends "collection" favorites to a shopper's mobile phone but these are separate from in-store stock items. Most of the suggested merchandise was not in-store at the location visited.

Omnichannel Strategy

In mid-2015, the retailer explanded its omnichannel-related capabilities. For instance, Urban Outfitters tested in-store beacons that send consumers who have its UrbanOn app on their smartphones a marketing message when they're in a store. 54% of consumers who received a message interacted with them, said CEO Richard Hayne, and that rate is many times higher than the typical email message open rate. Moreover, consumers who opened the messages were three times more likely to make a purchase than an average shopper. "Most of these productivity initiatives are currently in the design and testing stage," he said. "If proven successful, they will be adopted across all stores."

These investments will continue. "In order to drive additional direct and omnichannel sales, we will continue to make investments in technology, marketing and new infrastructure," Hayne said in a conference call in early 2016. "We are improving our functionality around checkout, payments, search, inventory visibility and speed on all of our brands' web platforms."

Urban Outfitters Inc.

2016 Top 500 Rank: 39
Website Launched: 1998
Merchant Category: Apparel/Accessories

Omnichannel Capabilities

- ✔ Beacons
- Location-Based Offers
- ✔ Barcodes on Products
- ✔ In-store Mobile Promotions
- ✔ Mobile Devices for Store Associates
- ✔ Ship from Store

- Wayfinding
- ✔ Store Locator
- ✔ In-store Stock Counts
- Online Price Matching
- Reserve Online Pick Up in Store
- ✔ Return to Store

- ✔ Geofencing
- ✔ Directions
- Registry On App
- In-store Kiosks
- ✔ Buy Online Pick Up in Store

1. Internet Retailer Estimate

IR INTERNET RETAILER

Corporate Information

Jason Allen, VP, Multichannel

625 Westport Pkwy.
Grapevine, TX 76051
817-424-2000

Financial

2015 Web Sales: $1,080,000,000[1]
2014 Web Sales: $864,000,000[1]
Growth: 25.0%

2015 Total Sales: $9,808,690,000
2014 Total Sales: $9,523,000,000
Growth: 3.0%

E-Commerce As a % of Total Sales
2015: 11.00%
2014: 9.10%

Store Visit Findings

Mobile app allows shoppers to earn loyalty points by shopping in-store and buying/exchanging products.
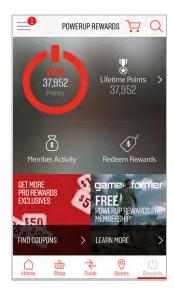
Omnichannel Strategy

GameStop began testing geofencing and beacons in Q2 of 2015, but the merchant has not disclosed many details about that test. At the time of the announcement, Richard Armour, senior director of multichannel at GameStop, said: "Consumers who are members of the retail chain's PowerUp loyalty program—which has 40 million members—and who have that program's app on their mobile phone can opt in to receive push messages when they are within the vicinity of a store. Once they are in the store, the app, communicated to by an in-store beacon, displays a greeting and relevant messaging."

The company, whose primary customer base is millennial shoppers, offers many omnichannel-related features including shop offers ship-to-home; buy online, pick up in-store; and reserve online, buy in-store—the company's fastest-growing channel. "When we talk about omnichannel, it's the ecosystem of the store," says Richard Armour, senior director of multichannel at GameStop. "Our online isn't trying to replace in-store."

GameStop Corp.

2016 Top 500 Rank: 45
Website Launched: 1999
Merchant Category:
Toys/Hobbies

Omnichannel Capabilities

✔ Beacons	Wayfinding	✔ Geofencing
Location-Based Offers	✔ Store Locator	✔ Directions
Barcodes on Products	In-store Stock Counts	Registry On App
In-store Mobile Promotions	Online Price Matching	In-store Kiosks
Mobile Devices for Store Associates	✔ Reserve Online Pick Up in Store	✔ Buy Online Pick Up in Store
Ship from Store	✔ Return to Store	

1. Internet Retailer Estimate

Corporate Information

Angie Simak Michaels, VP, E-Commerce Operations

770 Broadway
New York, NY 10003
212-209-2500

Financial

2015 Web Sales: $972,000,000[1]
2014 Web Sales: $900,000,000
Growth: 8.0%

2015 Total Sales: $2,505,800,000
2014 Total Sales: $2,759,700,000
Growth: -9.2%

E-Commerce As a % of Total Sales
2015: 38.80%
2014: 32.60%

Store Visit Findings

Nothing to link stores with the web beyond a store locator on the desktop and mobile sites.

While J. Crew doesn't let shoppers buy online and pick up items in store, it does allow customers to return online purchases to a physical location.

Shoppers can book appointments with store associates on the mobile site.

Omnichannel Strategy

Little to no omnichannel-related functionality, as the merchant does not offer buy online pickup in store.

No mobile apps available.

J. Crew Group Inc.

2016 Top 500 Rank: 49
Website Launched: 1996
Merchant Category:
Apparel/Accessories

Omnichannel Capabilities

Beacons
Location-Based Offers
✔ Barcodes on Products
In-store Mobile Promotions
Mobile Devices for Store Associates
Ship from Store

Wayfinding
✔ Store Locator
In-store Stock Counts
Online Price Matching
Reserve Online Pick Up in Store
✔ Return to Store

Geofencing
Directions
Registry On App
In-store Kiosks
Buy Online Pick Up in Store

1. Internet Retailer Estimate

INTERNET RETAILER

Corporate Information
David Lokes, VP, Data

112 W. 34th St.
New York, NY 10120
212-720-3700

Financial

2015 Web Sales: $941,300,000[1]
2014 Web Sales: $865,300,000[1]
Growth: 8.8%

2015 Total Sales: $7,410,000,000
2014 Total Sales: $7,151,000,000
Growth: 3.6%

E-Commerce As a % of Total Sales
2015: 12.70%
2014: 12.10%

Store Visit Findings

App's store locator function also has a "Launch Locator" that displays what stores are having certain shoe releases and when they take place, with details about the shoe and a launch countdown clock.

App allows shoppers to purchase items and reserve in-store.

The app also shows real-time inventory availability of an item at locations.

Omnichannel Strategy

"Our digital business had another successful quarter and year," president and CEO Richard Johnson told analysts on the company's 2015 year-end earnings call. "We have invested in mobile and desktop sites as well as apps to deliver an enhanced digital experience, including more personalized interactions with our customers. As you can imagine from our young customers, mobile represents a huge part of our online traffic and a rapidly growing percent of our digital sales."

Foot Locker Inc.

2016 Top 500 Rank: 50
Website Launched: 2000
Merchant Category:
Apparel/Accessories

Omnichannel Capabilities

Beacons	Wayfinding	✔ Geofencing
Location-Based Offers	✔ Store Locator	✔ Directions
✔ Barcodes on Products	✔ In-store Stock Counts	Registry On App
In-store Mobile Promotions	✔ Online Price Matching	In-store Kiosks
Mobile Devices for Store Associates	✔ Reserve Online Pick Up in Store	✔ Buy Online Pick Up in Store
Ship from Store	✔ Return to Store	

1. Internet Retailer Estimate

INTERNET RETAILER

Corporate Information

Gary Friedman, CEO

15 Koch Road, Suite K
Corte Madera, CA 94925
415-924-1005

Financial

2015 Web Sales: $896,422,410[1]
2014 Web Sales: $766,173,000[1]
Growth: 17.0%

2015 Total Sales: $2,170,000,000[1]
2014 Total Sales: $1,868,000,000
Growth: 16.2%

E-Commerce As a % of Total Sales
2015: 41.30%
2014: 41.00%

Store Visit Findings

No omnichannel-related features except for a store locator on its desktop site.

Omnichannel Strategy

Little to no omnichannel-related capabilities.

Shoppers can browse Restoration Hardware's catalogs through its mobile app. While customers can't shop via the app, they can capture screen shots of products and share the photos via social media and email.

Restoration Hardware

2016 Top 500 Rank: 52
Website Launched: 1997
Merchant Category:
Housewares/Home Furnishings

Omnichannel Capabilities

Beacons	Wayfinding	Geofencing
Location-Based Offers	Store Locator	Directions
Barcodes on Products	In-store Stock Counts	Registry On App
In-store Mobile Promotions	Online Price Matching	In-store Kiosks
✔ Mobile Devices for Store Associates	Reserve Online Pick Up in Store	Buy Online Pick Up in Store
Ship from Store	Return to Store	

1. Internet Retailer Estimate

Corporate Information

Fred Argir, VP/Chief Digital Officer

122 Fifth Avenue
New York, NY 10011
212-414-6000

Financial

2015 Web Sales: $886,012,156[1]
2014 Web Sales: $1,040,000,000[1]
Growth: -14.8%

2015 Total Sales: $6,069,500,000
2014 Total Sales: $6,391,300,000
Growth: -5.0%

E-Commerce As a % of Total Sales
2015: 14.60%
2014: 16.30%

Store Visit Findings

Reserve online and pick up in store was easy, with a quick turnaround. Around 43 minutes from time researcher reserved a book until she received notice of it being ready for pick up. With the exception of textbooks, almost all other BN.com purchases can be returned in store.

Mobile app find a store feature includes the basic info such as store address, phone and hours as well as an added bonus of listing in store upcoming events that include author visits, Nook classes and storytimes.

Mobile app fits the image of Barnes and Noble's bricks and mortar stores; reliable and easy to navigate. In-app barcode scanner surpasses the typical level of assistance an in store clerk can offer with a wealth of useful information including an overview of the item, product details, related subjects, videos and customer reviews.

Omnichannel Strategy

In February 2016, CEO Ron Boire announced plans to open a digital prototype store sometime during the year. "One of the challenges of that store is going to be the digital experience," he said. "I don't think until you're fully connected—mobile, desktop and store—that you're going to be providing the full experience. That's our goal." He disclosed no details on location, but said the store would be different than any other location.

"We have a lot of opportunity," Boire said in early 2016 in reponse to a question about how the merchant would reverse online sales declines.
"We launched our new website last year. We built a new digital team over the last year or so. To me, bringing in the right talent that truly understands the difference between digital and physical and how they're all coming together is critical."

BarnesandNoble.com

2016 Top 500 Rank: 54
Website Launched: 1997
Merchant Category:
Books/Music/Video

Omnichannel Capabilities

Beacons	Wayfinding	Geofencing
Location-Based Offers	✔ Store Locator	✔ Directions
✔ Barcodes on Products	✔ In-store Stock Counts	Registry On App
In-store Mobile Promotions	Online Price Matching	In-store Kiosks
✔ Mobile Devices for Store Associates	✔ Reserve Online Pick Up in Store	Buy Online Pick Up in Store
Ship from Store	✔ Return to Store	

1. Internet Retailer Estimate

Corporate Information

Billy May, SVP/GM, Digital, E-Commerce, Omnichannel & New Business Development

6301 Fitch Path
New Albany, OH 43054
614-283-6500

Financial

2015 Web Sales: $844,600,000[1]
2014 Web Sales: $823,700,000[1]
Growth: 2.5%

2015 Total Sales: $3,519,000,000
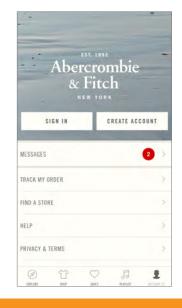**2014 Total Sales:** $3,744,030,000
Growth: -6.0%

E-Commerce As a % of Total Sales
2015: 24.00%
2014: 22.00%

Store Visit Findings

Researcher noted technical issues with the mobile app. The app crashed and turned off each time she clicked on the "find store" feature.

Reserve online, pick up in store feature works well on Abercrombie's desktop site. The website shows when a product is available at the shopper's nearest Abercrombie location.

Omnichannel Strategy

Abercrombie is increasing investments in omnichannel and e-commerce technology, while at the same time closing physical stores.

"Regarding omnichannel, we have enabled order in store in all U.S. stores and will have ship from store in place in approximately 70% of U.S. stores by the end of Q2. We will extend ship from store to the U.K. and Canada by the end of the year, in addition we will have click and collect in place by the end of the year in the U.K., a market where this is very important, and we'll begin to enable online returns to stores in Europe, again starting with the U.K."—Jonathan Ramsden, COO, in late 2015

"Well, it's important to know that our DTC and omnichannel business is already a very high percentage, we were up to 28% in the fourth quarter, so we're very highly penetrated there. It's also a major area of focus for us from an investment standpoint, a lot of our CapEx dollars over the past couple of years have been going towards omnichannel and IT investments, mobile investments, to really make that customer experience when they are online, on their phone, very positive and over time more and more seamless would be in-store experience. "—Jonathan Ramsden, COO, Q4 2015 earnings conference call

Abercrombie & Fitch Co.

2016 Top 500 Rank: 58
Website Launched: 1998
Merchant Category:
Apparel/Accessories

Omnichannel Capabilities

Beacons	Wayfinding	Geofencing
Location-Based Offers	✔ Store Locator	✔ Directions
Barcodes on Products	In-store Stock Counts	Registry On App
In-store Mobile Promotions	Online Price Matching	In-store Kiosks
Mobile Devices for Store Associates	✔ Reserve Online Pick Up in Store	✔ Buy Online Pick Up in Store
✔ Ship from Store	✔ Return to Store	

1. Internet Retailer Estimate

IR INTERNET RETAILER

Corporate Information

Michele Willoughby, EVP, E-Commerce & Supply Chain

300 Industry Drive
Pittsburgh, PA 15275
724-273-3400

Financial

2015 Web Sales: $748,900,000[1]
2014 Web Sales: $626,900,000[1]
Growth: 19.5%

2015 Total Sales: $7,271,000,000
2014 Total Sales: $6,814,000,000
Growth: 6.7%

E-Commerce As a % of Total Sales
2015: 10.30%
2014: 9.20%

Store Visit Findings

Text alerts for Dick's Sporting Goods and Golf Galaxy are available via opt-in. The website lets you check product availability in-store, but only gives "limited availability," not numbers. Some stores show "pick up in store" as soon as today. Others say "in store purchase only."

The app enables rewards program members to check "Scorecard" points and promotions.

The mobile app has a barcode/QR code scan feature, but froze on multiple attempts with four different products. No mobile offers on the app in-store, no store map, no indication it knew the shopper was in the store, despite an "in-store mode" setting on the app.

Omnichannel Strategy

"In 2015, we grew our omnichannel platform by maintaining strong new-store productivity and driving our e-commerce business," Dick's chairman and CEO Edward Stack said in a statement accompanying its 2015 year-end earnings release. He emphasized that Dick's will continue to invest in the coming year, including in e-commerce. Dick's projected total capital expenditures of $420 million in fiscal 2016, compared to $370 million in the prior 12 months.

"During 2015 we meaningfully grew our omnichannel platform, ending the year with 644 Dick's stores, 73 Golf Galaxy stores, 19 Field & Stream stores, including four combo locations. We maintained a very strong new store productivity, well over our goal of 90% in these new stores. And our stores continued to support our e-commerce business, which for the full year increased approximately 19% to over $748 million. We also made significant progress transitioning our e-commerce business onto our own web platform. We relaunched Golfgalaxy.com onto this platform, including ship-from-store capabilities. We launched Field & Stream's first ever eCommerce website and both have been very successful." —Dick's chairman and CEO Edward Stack, on the company's year-end earnings call.

Dick's Sporting Goods

2016 Top 500 Rank: 62
Website Launched: 1999
Merchant Category: Sporting Goods

Omnichannel Capabilities

Beacons	Wayfinding	Geofencing
Location-Based Offers	✔ Store Locator	✔ Directions
✔ Barcodes on Products	In-store Stock Counts	Registry On App
In-store Mobile Promotions	Online Price Matching	In-store Kiosks
Mobile Devices for Store Associates	Reserve Online Pick Up in Store	✔ Buy Online Pick Up in Store
✔ Ship from Store	✔ Return to Store	

1. Internet Retailer Estimate

Corporate Information

Jay L. Schottenstein, CEO

77 Hot Metal St.
Pittsburgh, PA 15203
412-432-3300

Financial

2015 Web Sales: $720,000,000[1]
2014 Web Sales: $600,000,000[1]
Growth: 20.0%

2015 Total Sales: $3,522,000,000
2014 Total Sales: $3,282,867,000
Growth: 7.3%

E-Commerce As a % of Total Sales
2015: 20.40%
2014: 18.30%

American Eagle Outfitters Inc.

2016 Top 500 Rank: 63
Website Launched: 1998
Merchant Category:
Apparel/Accessories

Omnichannel Strategy

Nearly 20% of all online orders during the fourth quarter 2015 were shipped directly from the company's more than 1,000 retail locations. "Our investments in technology upgrades and omni(channel) tools are delivering." –Jay Schottenstein, CEO

American Eagle Outfitters was an early adopter of beacon technology. AEO partnered in 2014 with the retail reward app Shopkick to use beacons to draw more customers into their fitting rooms. AEO found that over the two-month trial period, shoppers who received the beacon offer were more than twice as likely to try on a piece of clothing–an outcome well beyond anticipated results.

Not surprising as the clothing retailer's main demographic is tech-savvy tweens, teens and young adults, chief operations officer Michael Rempell reported that sales on mobile devices grew nearly 100% year over year in 2015. On the Q4 earnings call, Rempell said the company is stepping up its efforts to better reach and convert those mobile shoppers heading into fiscal 2016.

Store Visit Findings

One of the strongest experiences noted by researchers across all 30 retail chains. Very user-friendly mobile app, thorough, easy-to-navigate format and layout and it offers music while shoppers browse products.

Reserve Try & Buy works as well as AEO's website promises. The retailer held true on its promise to contact a customer within an hour (during normal business hours) to confirm items were in stock and being held at the store location of choice. Email and text correspondence are written with a youthful, energetic vibe, in line with the retailer's main demographic.

Customers don't have to pay to place products on hold. A maximum of five items can be placed on hold at a time.

Omnichannel Capabilities

✔ Beacons
✔ Location-Based Offers
✔ Barcodes on Products
  In-store Mobile Promotions
✔ Mobile Devices for Store Associates
✔ Ship from Store

  Wayfinding
✔ Store Locator
✔ In-store Stock Counts
✔ Online Price Matching
✔ Reserve Online Pick Up in Store
✔ Return to Store

✔ Geofencing
✔ Directions
  Registry On App
  In-store Kiosks
  Buy Online Pick Up in Store

1. Internet Retailer Estimate

IR
INTERNET RETAILER

Financial

2015 Web Sales: $634,375,000[1]
2014 Web Sales: $507,500,000[1]
Growth: 25.0%

2015 Total Sales: $12,273,255,000[1]
2014 Total Sales: $11,900,000,000[1]
Growth: 3.1%

E-Commerce As a % of Total Sales
2015: 5.20%
2014: 4.30%

Corporate Information

Tom Kuypers, VP, Digital Marketing & CRM

650 Liberty Ave.
Union, NJ 07083
908-688-0888

Store Visit Findings

A hybrid of other retailers' payment requirements, this retail chain requires customers to enter credit card information in order to hold an item but won't charge the card until customer is in store, inspects products and agrees to the purchase.

Excellent in store signage directing customers to pick up area for online orders. Small items in orders are strategically placed behind the customer service desk in a cart prominently promoting the feature and allows for quick and easy access by store associates.

In app scanning technology service frequently misidentified an item or wasn't able to pull up an item at all. Customers receive an alert message stating "Oops! That didn't scan right. Please try again."

Omnichannel Strategy

In January 2016, home furnishings retailer Bed Bath & Beyond reported strong online sales growth in its most recent quarter, and unveiled a new cross-channel coupon system and plans to fulfill web orders from stores.

Bed Bath & Beyond enables online customers to reserve products online and pick up purchases in stores.

"As consumer shopping preferences evolve, we remain focused on providing a consistently better and more personalized customer experience across all of our retail channels," CEO Steven Tamares told analysts at the end of 2015. "Our team will continue to leverage analytics in order to optimize our marketing strategies as we learn more about our customers and how they prefer to interact with us. This will enable us to tailor our marketing communications and provide our customers with more personalized, timely and relevant information."

Bed Bath & Beyond Inc.

2016 Top 500 Rank: 67
Website Launched: 2000
Merchant Category:
Housewares/Home Furnishings

Omnichannel Capabilities

Beacons	Wayfinding	Geofencing
Location-Based Offers	✔ Store Locator	✔ Directions
✔ Barcodes on Products	✔ In-store Stock Counts	✔ Registry On App
✔ In-store Mobile Promotions	✔ Online Price Matching	In-store Kiosks
✔ Mobile Devices for Store Associates	✔ Reserve Online Pick Up in Store	✔ Buy Online Pick Up in Store
✔ Ship from Store	✔ Return to Store	

INTERNET RETAILER

Financial

2015 Web Sales: $552,000,000[1]
2014 Web Sales: $460,000,000[1]
Growth: 20.0%

2015 Total Sales: $2,423,221,000[1]
2014 Total Sales: $2,104,000,000
Growth: 15.2%

E-Commerce As a % of Total Sales
2015: 22.80%
2014: 21.90%

Corporate Information

Brad Brown, SVP, E-Commerce & Direct Sales

6750 S. 228th St.
Kent, WA 98032
253-395-3780

Store Visit Findings

Barcode scanning available on the mobile app, which brings up additional product information.

Barcode scanner allows shoppers to add products to their wish list.

Shoppers can browse products in all REI stores within a certain area and narrow results to show only stores with availability for desired products.

Omnichannel Strategy

More than 75% of shoppers who visit an REI store visited REI.com during the preceding week, REI says. Mobile, specifically smartphones, is a major focus. The most-visited web site by consumers within REI stores is REI.com.

REI offers buy online pick up in store, and lets online shoppers see available inventory at their local store.

REI

2016 Top 500 Rank: 74
Website Launched: 1996
Merchant Category:
Sporting Goods

Omnichannel Capabilities

Beacons	Wayfinding	✔ Geofencing
Location-Based Offers	✔ Store Locator	✔ Directions
✔ Barcodes on Products	✔ In-store Stock Counts	Registry On App
In-store Mobile Promotions	✔ Online Price Matching	In-store Kiosks
Mobile Devices for Store Associates	✔ Reserve Online Pick Up in Store	✔ Buy Online Pick Up in Store
Ship from Store	✔ Return to Store	

1. Internet Retailer Estimate

Internet Retailer Research

Stefany Zaroban

Director of Research

stefany@verticalwebmedia.com

312-572-6282

Bill Briggs

Managing Editor,

Production & Special Projects, Research

billb@verticalwebmedia.com

312-362-0084

Kat Fay

Senior Data Analyst

kat@verticalwebmedia.com

312-362-0104

Jonathan Love

Associate Editor

jon@verticalwebmedia.com

312-362-0069

Fareeha Ali

Research Analyst

fareeha@verticalwebmedia.com

312-946-2048